Austria .. Sch. 20	Indonesia .. Rp 3100	Philippines . Pes. 25
Bahrain .. Din 0.650	Israel .... IS 3.50	Portugal .. Esc 100
Belgium BFr.45	Italy . . . . L 1600	S. Arabia . Rls 6.00
Canada .... C$1.00	Japan Y600	Singapore . S$ 4.10
Cyprus .... C£0.75	Jordan . . Fils 500	Spain . . . Pta 125
Denmark . DKr 9.00	Kuwait .... Fils 500	Sri Lanka . Rup 30
Egypt ..... E£1.50	Lebanon . £L 50.00	Sweden . SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr 45	Switzerland SFr2.20
France . FFr 6.50	Malaysia .. Rm 4.25	Taiwan .... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 0.600
Greece .... Dr 80	Morocco . Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands Fl 3.00	U.A.E. .... Dh 6.50
India . . . Rup 15	Norway .. Nkr 7.00	U.S.A $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,156 Tuesday February 10 1987 D 8523 B

German union ready to fight for shorter working week, Page 18

World news | Business summary

Soviet bases in Vietnam revealed

The US military disclosed for the first time aerial photographs said to show Soviet naval and air forces stationed at the expanded base on Cam Ranh Bay in southern Vietnam.

The disclosure by Admiral James Lyons, commander-in-chief of the US Pacific Fleet, was apparently designed to quash recent Soviet claims in Australia that Moscow has no military facilities in communist-controlled Vietnam. Page 4

Minister sacked

Western Europe's first Green Party minister Joschka Fischer was sacked. The move ended a unique coalition between the ecological movement and the Social Democrats in the West German state of Hesse. Page 2

Iran masses troops

Iran massed troops for another push on Iraq's second city of Basra. Diplomats said Iran might launch a fresh attack to coincide with the eighth anniversary of its Islamic revolution this week.

Air attack; 30 die

Thirty people died when an Antonov-26 passenger plane was hit by a rocket while it was taking off from the Afghan city of Khost.

McFarlane in hospital

Robert McFarlane, a key figure in the scandal over US arms sales to Iran, was admitted to hospital suffering from an overdose of valium, a tranquiliser.

Two dead in Karachi

At least two people were killed in Pakistan's largest city of Karachi, where fresh disturbances flared. More than 300 people have died there in communal riots in the past 20 months.

Curbs on Journal

Singapore imposed a local circulation cut on the Asian Wall Street Journal for "engaging in domestic politics." Circulation was reduced from 5,000 copies to 400.

Rail crisis averted

A crisis was averted when South African drivers took over Zimbabwean trains at the Botswana border, after the Bophuthatswana homeland demanded visas from Zimbabwean and Botswana crews to cross its territory. South Africa is the only country which recognises Bophuthatswana's sovereignty.

Student boycott

Spanish students disrupted traffic, boycotted classes and visited factories to collect money and enlist the support of workers for more protests to back their demands for exam-free acces to university.

Vanunu protest ban

Police banned a demonstration in Jerusalem by left-wing Jew and Arabs. The protest was in support of Mordechai Vanunu, and Israeli nuclear technician accused of passing alleged atomic secrets to Britain's Sunday Times.

Protest in Moscow

A group of Soviets staged a peaceful protest in Moscow against the continued detention of Iosif Begun, a Jewish dissident. Police made no effort to move the protesters.

US still wealthiest

US citizens enjoyed more wealth than any others in the Western industrial world. Statistics suggesting the Japanese were catching up were misleading, an Organisation for Economic Co-operation and Development report said. Page 3

Murdoch sells Australian networks

RUPERT MURDOCH'S News Corporation agreed to sell its Australian television and radio interests and three newspapers in an A$842m (US$561m) cash transaction. Page 22.

New International, News Corporation's UK subsidiary, has launched an international share offering to raise slightly more than £60m ($90m) to help refinance debt. Page 21

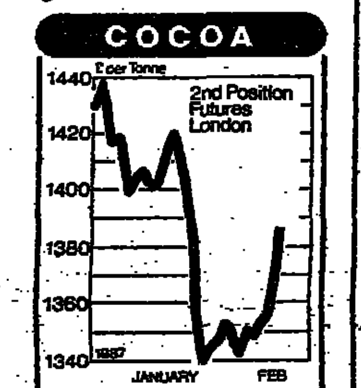
FIRST INTERSTATE, the US banking group, has dropped its takeover bid for BankAmerica because it says asset sales have reduced the value of the corporation to the point where its offer price is no longer justified.

WALL STREET: The Dow Jones industrial average closed down 10.13 at 2,176.74. Page 44

LONDON: UK investor confidence in budget day tax cuts maintained the equity market's buoyancy, while gilts faded after an optimistic start as the pound weakened. The FT-SE 100 index closed up 12.3 at an all-time high of 1,910.7. The FT Ordinary index rose 7.7 to another new high at 1,516.6. Page 44.

TOKYO: With investor interest focusing on Nippon Telegraph and Telephone, the Government's inaugural privatisation offering, volume fell to a low for the year. The Nikkei average rose 129.11 to 19,679.32. Page 44.

COCOA



COCOA: Speculative buying lifted London futures prices as traders reacted to reports that the Brazilian crop might again be suffering drought damage. The May position ended at a three-week high of £1,386.50 a tonne, up £29 on the day. Page 36

DOLLAR closed in New York at DM 1.8100; SFr 1.5255; FFr 6.0275; and Y152.15. It fell in London to DM 1.8560 (DM 1.8580); SFr 1.5320 (SFr 1.5650); FFr 6.0525 (FFr 6.1800), and Y152.45 (Y154.40). On Bank of England figures the dollar's index fell to 104.1 from 104.9. Page 37

STERLING closed in New York at $1.5275. It rose in London to $1.5190 ($1.5085), but fell to DM 2.76 (DM 2.80); SFr 2.3275 (SFr 2.3600); FFr 9.1925 (FFr 9.3225), and Y231.50 (Y233.00). The pound's exchange rate index fell 0.3 to 68.5. Page 37

GOLD rose $2.75 to $406.00 on the London bullion market. In Zurich it also rose to $405.85 from $402.40. In New York the Comex April settlement was $407.20. Page 36

GTE, which operates the largest US telephone network outside the Bell system, reported fourth-quarter net income before special items only marginally down on the year-ago period at $282m. Page 19

HOOGOVENS, Dutch steel group, is to pay $175m for the European aluminum operations of Kaiser Aluminum & Chemicals.

HASBRO, US toymaker which gave the world My Little Pony and Transformers, reported its first flat year earnings since beginning an expansion phase which made it one of the world's largest toys and games companies. Page 19

DIAMOND Shamrock, Dallas energy group involved in a major restructuring, has rebuffed a $2bn bid from T. Boone Pickens, the Texas oil millionaire who has been pursuing the company. Page 19

Hostages spared as extremists extend deadline

BY NORA BOUSTANY IN BEIRUT

THE DEADLINE set for the killing of three US hostages was last night extended until further notice by Islamic Jihad, the extremist organisation holding them in Lebanon. The three Americans, kidnapped from Beirut University College last month, had been spared "at the request of their families, the hostages and certain Lebanese groups."

They had earlier made an emotional appeal to the US Government not to take action against their captors.

In a letter to their families they said "put pressure on our government and convince it to reconsider its relationship with Israel ... at least after our death."

The letter, delivered to an international news agency in Beirut as tension built up in the area with the US fleet plying off the Lebanese coast, urged Israel to comply with the demands of the Islamic Jihad (Holy War) for the Liberation of Palestine to release 400 Palestinian prisoners.

Mr George Shultz, the US Secretary of State, heightened the anti-American sentiment on Sunday by calling for the isolation of the city because "they in effect, have the plague there."

The hand-written note from the hostages also contained farewell messages to their wives. It bore the signatures of Mr Allan Steen, Mr Robert Pohill and Mr Jesse Turner but not their colleague, Mithileshwar Singh an Indian lecturer at the university who has American residency rights.

It pressed the US Administration and Israel to respond to the demand of the kidnappers. It also called upon Washington to reconsider its relationship with Israel.

Mr Shimon Peres, Israel's Foreign Minister, rejected the ultimatum saying that his government did not even know which prisoners the kidnappers wanted released.

"Nobody has approached Israel and Israel will not take any initiative on that issue," he said in Jerusalem.

The hostages' message was delivered a few hours after a powerful car bomb explosion shattered the Moslem Shia neighbourhood of Rweiss on the outskirts of Beirut's southern suburbs, killing 15 people and wounding 40.

"Let Israel promise the organisation plainly and officially that 400 Palestinian Mujaheeds (strugglers) will be free. Otherwise, we won't be alive after midnight, the farewell hour," the message said.

Addressing his wife, Mr Steen said: "Listen love, I don't want to see you cry anymore. Tell them to release the 400. I love you Virginia." Another captive, Mr Polhill sent an equally moving message to his wife and apolagised to his students for letting them down. "Life was the only thing he ever finished," he said, speaking of himself.

● Israeli troops shot and wounded six Palestinians in the occupied West Bank yesterday during violent protests against attacks by Shia militiamen on Palestinian refugee camps in Lebanon, according to military and Palestinian sources, AP reports from Jerusalem.

Two of the wounded were in critical condition, said the Palestine press service which monitors news in the Israeli-occupied territories.

An army spokesman said he knew of only four wounded, all of them at the Balata refugee camp. He confirmed there was another protest at the city's Najah University, but said he had no details about it.

At Balata, soldiers fired on a group of about 100 teenagers after they threw large rocks and empty bottles at the troops, the spokesman said. The demonstrators also burned tyres and waved the black, green, red and white flag of the outlawed Palestine Liberation Organization PLO, the source said.

One of the wounded was hit in the chest and two in the legs by bullets.

Paris to put forward new plan for stability in foreign exchanges

BY QUENTIN PEEL IN BRUSSELS

FRANCE is to present a new plan for the stabilisation of the international currency markets and for closer co-ordination between the major European central banks, Mr Edouard Balladur, the French Finance Minister, told his European Community colleagues yesterday.

The proposals will be submitted today for discussion by the EEC Monetary Committee, the group of top-level finance ministry officials most closely concerned with the operation of the European Monetary System, in Brussels later this week.

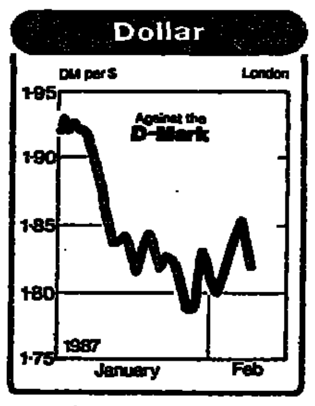
They are expected to include ideas for closer convergence of economic performance between EEC member states; greater co-ordination between central banks in currency intervention, for some form of reference zones for both the dollar and yen and vis-a-vis the currencies in the EMS exchange rate mechanism, and for using "divergence indicators" to monitor the economic performance of the major international economies, according to officials close to the talks.

Mr Balladur gave a broad outline of his paper at the monthly meeting of EEC finance ministers in Brussels, where the whole international monetary situation was discussed without any clear conclusions.

Officials played down speculation about the imminence of any Group of Five (G5) or Group of Seven (G7) meeting of finance ministers, with both Mr Hans Tietmeyer, the West German State Secretary for Finance, and Mr Giovanni Goria, the Italian Finance Minister, stressing that any such talks must be properly prepared.

There was general agreement, however, on the need to reinforce the operation of the EMS exchange rate mechanism linking the major EEC currencies – except sterling – in the face of the external turbulence caused by the fall of the dollar.

Dollar



The French proposals are intended for the major debate going on in the monetary committee, under the chairmanship of Mr Tietmeyer, on such a reinforcement. Both that committee, and the committee of EEC central bank governors, have been requested to report back to the informal EEC Finance Ministers' meeting in April.

April is also suggested by some officials as being the first likely occasion for a proper G5 (or G7 as Italy wants) meeting in the margins of the International Monetary Fund's interim committee.

There was some scepticism in Brussels about the extent of new ideas to be expected from the French initiative, although there is a feeling that the long-standing French belief in a more closely managed international currency market may now get a more sympathetic hearing.

Mr Mark Eyskens, the Belgian Finance Minister currently in the chair for EEC Finance Ministers' meetings, welcomed the French plan. He said: "I think this may promote a useful and efficient reflection on the big problem." He said it concerned both the external monetary stability and internal monetary stability of the Community.

Mr Eyskens refused to be drawn on the need for an early G5 meeting, saying only that all 12 EEC member states wanted international currency stability, and would support any meeting helping that end.

He reflected continuing European exasperation with the recent US dollar policy, saying: "A devaluation or depreciation policy is not a substitute for a real structural policy. You cannot modernise your industry by adapting your parities. We have swallowed our medicine: that is what we have got to say to them."

The other main theme to emerge from the Finance Ministers' discussions was a growing feeling that modest realignments within the EMS should be carried out by top-level officials, rather than politicised by summoning full ministerial meetings.

Philip Stephens, Economics Correspondent, writes from London: The French initiative came as the dollar tumbled on foreign exchange markets in response to remarks by Mr James Baker, the US Treasury Secretary. Mr Baker, speaking on US television, confirmed that the G5 ministers have yet to agree on an early meeting.

The US Treasury Secretary also refused to be drawn on what he saw as an appropriate value for the dollar and said that its sharp decline over the past two years had been "reasonable and orderly."

His comments were interpreted on foreign exchange markets as signalling that the US Administration

Continued on Page 18

Baldrige moves to ease hi-tech export controls

BY NANCY DUNNE IN WASHINGTON

MR Malcolm Baldrige, the US Commerce Secretary, yesterday announced a sweeping plan to ease American export controls and called for an end to the "bureaucratic obstructionism" confronting US companies trying to export high technology products.

The Commerce Department is now developing regulations to "reduce or eliminate" the controversial US re-export controls on goods going into countries belonging to the Paris-based Co-ordinating Committee for Multilaterial Export Controls (Cocom), Mr Baldrige said.

Controls on exports to Cocom government agencies will also be virtually eliminated, and within a few weeks the Commence Department will issue "significant revisions" in its regulations governing parts and components of products already sold abroad.

Mr Baldrige said reform of the US export control system is needed because of a "growing shift away from the use of American products – a de-Americanisation of sorts –" in the international market place. He said he has seen letters written by executives of foreign companies instructing their managers to "design out" US parts from their products.

The secretary, who has for years been at loggerheads with the Pentagon over export controls, said the "bickering" between US government agencies had become "just another unfair trade barrier" hurting American business.

"As our business leaders fight it out in international markets, they have to know that Washington is there to support them – not to cut them off at the knees," he said.

While some of the moves to decontrol can be put into effect by the Commerce Department, others need White House, and then Congressional approval. The President is expected to send recommendations on export controls along with his trade bill to Congress on February 19.

Mr Baldrige has proposed legislation giving the Commerce Department the authority to approve exports of products commonly available to the Eastern bloc, whether or not the Pentagon objects. Such licences would be granted in 20 days unless an unacceptable risk of diversion is demonstrated.

He also asked for legislative authority to liberalise controls on products exported to China.

The decontrol of exports to government agencies of Cocom countries should reduce the number of US export licences by 20 per cent, Mr Baldrige said. The time required for US companies to obtain export licences will be reduced from 20 to 14 days.

● The US Semiconductor Industry Association yesterday urged the Reagan Administration to act immediately to impose anti-dumping duties and other restrictions on Japanese semiconductor imports.

The group claimed that Japan has failed to fulfill its commitments under a bilateral agreement signed last July to curb dumping of its computer chips in third-country markets and to open its markets to US semiconductors.

US and EEC plan telecommunications talks, Page 18

London, Chicago plan new futures trading link

By Alexander Nicoll in London

THE LONDON International Financial Futures Exchange (Liffe) yesterday announced an agreement with the Chicago Board of Trade (CBOT), the world's largest futures exchange, to form the most wide-ranging link yet planned between two exchanges.

The accord will mark a further important step towards creating a seamless 24-hour market in which securities houses and investors can trade futures, options and underlying securities such as US Treasury bonds at any time of day and with the lowest possible transaction costs.

Mr Karsten Mahlmann, CBOT chairman, said it would put both exchanges "at a strategic advantage in covering the international 24-hour market."

Under the agreement, which will link the processes each exchange has for clearing transactions, all financial futures and options contracts traded on either exchange will become subject to a "mutual offset" system.

Traders in US Treasury bond futures – the world's most actively traded futures contract, dealt at the CBOT and in smaller volume on Liffe – would therefore be able to open a position in London, close it in Chicago later in the day and pay only one set of transaction costs.

The two exchanges had already planned to trade interchangeably Japanese government bond and Eurobond futures contracts, both still being developed.

The new link, however, opens the possibility that each exchange may introduce new contracts already popular on the other: the CBOT, for example, might introduce futures on UK government bonds and Liffe might launch the CBOT's US Treasury note contract.

Links between other exchanges either in existence or planned have been far less extensive. The Liffe/CBOT agreement reflects the desire of their major users, many of whom are large securities traders active on both exchanges, to reduce their dealing costs.

Mr Brian Williamson, Liffe chairman, said the link would meet Liffe's objective of being both an independent and an international exchange.

Financial futures, Page 37

Paribas share allocation cut after heavy oversubscription

BY GEORGE GRAHAM IN PARIS

THE NUMBER of direct shareholders in France has doubled overnight, following the runaway success of the privatisation of Paribas.

More than 3.8m individual investors applied for shares in the investment banking group, leaving the offer for sale 38 times subscribed.

Institutional investors will receive no shares at all, while individual orders will be slashed back to receive four shares only. The international offer will also be cut.

Even employees applications will be scaled back. The 3.5m shares reserved for them were two and a half times subscribed.

The FFr 14.25bn ($2.3bn) flotation, the second in the French Government's privatisation programme, left the Finance Ministry flat-footed in the face of the overwhelming demand for shares.

The ministry already plans to accelerate the remainder of its denationalisation programme in order to take advantage of the thirst for shares in the privatised companies.

St Gobain, the glass and packaging group which was the first to be privatised, exceeded all the Government's hopes when it attracted 1.5m investors, but officials were astonished at the wave of orders that followed Paribas's FFr 50m advertising and marketing campaign.

Mr Edouard Balladur, Minister for the Economy, Finance and Privatisation, said yesterday that investors would still receive a fraction of the free share that they expected as a bonus for holding on to their shares for 18 months, though he admitted that the details of how this would be achieved had still to be worked out.

The success of the offer will be costly, too, since commissions paid to banks will rise to a total of nearly FFr 400m. A commission of 2.5 per cent was to be paid, but the minimum of FFr 90 per application will raise the rate to 5.6 per cent on the domestic share offering.

The international offer, originally for 6.3m shares and oversubscribed within 24 hours, will be reduced to 5.7m shares by the exercise, in full, of the French Government's 10 per cent clawback rights. A quarter of the international offer was placed in the UK, 20 per cent in Switzerland, 15 per cent in West Germany and 10 per cent in Benelux.

In addition, 17 institutional investors bought 18 per cent of Paribas outside the main offering at a premium of 2.5 per cent to the share price of FFr 405.

Massive demand for Nippon Telegraph and Telephone, Page 22

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Hesse SPD and Greens coalition collapses

BY PETER BRUCE IN BONN

THE COALITION Government in the West German state of Hesse collapsed yesterday, ending the first ever attempt at high level co-operation between the environmentalist Greens party and the left of centre Social Democrats (SPD).

Mr Holger Börner, the SPD premier of the state, wrote yesterday to Mr Joschka Fischer, his Green Environment Minister, "accepting" a resignation he offered during a Greens convention at the weekend.

Mr Fischer said he would resign if the SPD went ahead with plans to authorise, if only until 1996, the operation of the Alkem plutonium plant.

The plant, at Hanau near Frankfurt, is owned by Siemens and had been the target of a long-running campaign by the Greens, who want it closed.

The coalition, begun 14 months ago after Mr Börner had to agree to work with the Greens in order to pass a budget, always looked like coming to grief on the Alkem issue.

Yesterday, the Christian Democrat (CDU) and Free Democrat (FDP) opposition in the state called for immediate elections, although a state poll would have been held in September anyway.

Mr Börner seems likely to call for a vote of confidence in his minority government next week. He will probably fail, leading to elections in April or May.

The collapse of the coalition is something of a victory for the fundamentalist wing of the Greens party, who fought against it. Yesterday's moves make people like Mr Fischer, who represents a so-called "realist" wing, and who argue for greater co-operation with the establishment SPD, appear clumsy.

Mr Börner, whose decision to go into coalition with the Greens was criticised as a form of surrender to the extreme left, may now win praise for apparently exposing the difficulty the Greens have in working within established power structures.

Despite their good showing in the general election last month, the Greens may find the going heavier now. A serious row over the election of an ex-communist as one of three party "speakers" over a well known moderate, Mr Otto Schilly, is shaking the party.

The moderates claim they, not the fundamentalists, attracted most new voters to the party in January.

The collapse of the coalition, though, does almost nothing to help

Mr Joschka Fischer

the SPD make its mind up about how to live in opposition in Bonn with the Greens.

It may strengthen SPD moderates who want no formal co-operation with the Greens but party left-wingers will also want to redouble efforts to seek accommodation with estranged Green "realists."

Mr Walter Wallman, the Federal Environment Minister and a former mayor of Frankfurt, is, meanwhile, expected to return to the state to lead a Christian Democratic (CDU) challenge to the SPD.

This may leave Chancellor Helmut Kohl welcome breathing space, as he rebuilds his own coalition government, to make a mild cabinet reshuffle

Genscher confident on arms discussions

WEST GERMAN Foreign Minister Hans-Dietrich Genscher said yesterday that complete adherence to existing arms control treaties was important to the success of US-Soviet arms talks in Geneva, Reuter reports from Bonn.

Mr Genscher, addressing leaders of his Free Democratic Party (FDP), said he believed agreement could be reached at the talks in coming months on the removal of medium-range nuclear missiles from Europe and drastic cuts in strategic weapons.

"The negotiations between the United States and the Soviet Union must concentrate on this so that time is not lost," Mr Genscher said.

"It is important for the success of these negotiations that existing arms control treaties are consistently adhered to," he added.

Mr Genscher did not elaborate, although he has in the past argued firmly for a continued narrow interpretation by the US of the 1972 Anti-Ballistic Missile (ABM) Treaty.

US Secretary of State Mr George Shultz said on Sunday that the US Administration favoured a broader interpretation of the treaty to allow testing of Strategic Defence Initiative (SDI) Star Wars systems.

EEC agrees formula on export credits

BY QUENTIN PEEL IN BRUSSELS

EEC Finance Ministers yesterday overruled the objections of West Germany, the Netherlands and Greece to agree on a compromise formula for controlling the use of subsidies in export credit linked to aid.

The Community proposal, which will now be submitted to next month's negotiations with the US and Japan in the Organisation for Economic Co-operation and Development (OECD), is for a two-stage move towards a more transparent system. It will also remove the built-in advantage for low interest-rate economies, such as West Germany, the Netherlands and Japan.

Agreement took the ministers and officials by surprise, when Ireland – which like Greece feared the likely increase in its cost of borrowing to finance imports – withdrew its objections, leaving the other three opponents without the necessary votes to block it.

West Germany and the Netherlande, like Japan, are unhappy that the compromise would actually raise interest rates charged on export credits, to remove their competitive advantage over high-interest economies like France, Italy and the UK.

The first element is to raise to 30 per cent this year, and 35 per cent in *1988*, the minimum grant element in a mixed aid-credit package. Only the least developed countries would qualify for a minimum aid element of 50 per cent. The current minimum is 25 per cent.

The reason for raising the aid element, rather than lowering it, is to ensure greater transparency, and discourage exporting countries from using their aid payments to give blatant export promotion.

The second element in the package is to move away from the common 10 per cent interest rate used to discount the subsidy element in any mixed credit package, and use market-related rates instead.

In the first year, this "differentiated discount rate" would be calculated as the market rate in the country concerned, plus half the difference between that rate and 10 per cent. In the second stage, it would be the market rate plus quarter of the difference.

The third part of the compromise is intended to provide some benefit for the loss of competitive advantage in tied aid credits by tightening up the system controlling the use of interest rate subsidies in ordinary export credits.

In future, interest rate subsidies for importing countries in category 1 of the current matrix system – the richer economies – will be abolished.

Bulgaria to expand banking system

By Patrick Blum in Sofia

THE BULGARIAN authorities have decided to restructure the country's banking system as part of moves to reform the economy and improve efficiency.

Banking reforms—similar to ones recently introduced in Hungary—will effectively establish a two-tier system with the central bank dealing only with traditional central banking activities and other institutions taking responsibility for financing foreign trade and industry.

Several "commercial banks" will be established which will be able to compete with one another for customers.

The aim is to streamline the system and give banks a greater role in managing the economy. Shareholders in the new banks will include companies, economic associations and "Socialist organisations."

Mr Vesselin Rankov, first deputy president of the Bulgarian Foreign Trade Bank, says that this will result in banks co-operating more closely with, and having higher supervision of, companies. New regulations outlining details of the reforms have yet to be finalised, but these are expected to be ready by the summer when some of the banks could be set up.

Those will include an "economic bank" (to finance large companies), a bank for agriculture and co-operatives, and a bank for the development of production of consumer goods. The foreign trade bank and the bank for economic projects (which deals mainly with small and medium size enterprises) are expected to expand activities.

The banks will reward and penalise enterprises according to their performance by granting cheaper and easier credit terms to those that do well and raising interest rates for those whose performance is considered poor.

These changes will be accompanied by other reforms dealing with the state-controlled pricing system, taxes and wages,

Mr Rankov, meanwhile, would not say whether Bulgaria would resume foreign borrowing this year after its absence from the markets in 1986, but he did not dismiss the possibility. "We are studying the market. Rates are very favourable now. There is a very attractive atmosphere in the market," he said.

Talks on Rotterdam port dispute resume

BY LAURA RAUN IN AMSTERDAM

STRIKING dock workers and general cargo companies at Rotterdam are to resume talks today aimed at ending three weeks of strikes that have cost the companies Fl 3m (£1m).

The FNV transport union has staged a series of wildcat, rolling strikes in protest at plans by stevedoring companies to cut 350 jobs this year, in an effort to end the losses in the overmanned general cargo sector.

The employers and the union appear far apart, despite informal mediation efforts by the Labour Ministry, which tabled proposals in which more than half the 800 jobs the companies want to lose by 1990 could be kept and Fl 21m still saved.

These figures were rejected by the employers, who insist that 800 jobs must be scrapped in the next four years in the general cargo sector, which lost Fl 30m last year. The union argues that the Ministry's figures show redundancies can be avoided.

● Dutch inflation slowed to zero in 1986, thanks to a big drop at the end of the year, while the gross domestic product grew 2.5 per cent in the third quarter, according to the Central Bureau of Statistics.

Consumer prices in January were 1.3 per cent lower than a year earlier and 1.5 per cent below December's figure, the sharpest one-month decline in many years. Cheaper natural gas accounted for most of the decline, but clothing and electricity prices also fell.

Romania orders drastic cuts in energy use

By Leslie Colitt in Berlin

THE ROMANIAN authorities have ordered drastic cuts in energy use as a result of the severe winter and fuel shortages.

Private households have been instructed to reduce electricity and gas consumption by 20 per cent this month and next, while offices, schools and theatres must cut use by 30 per cent.

Failure to comply with the restrictions would result in stiff fines and even the cutting off of supplies, according to a decree published in the newspapers.

Special energy saving quotas have been laid down for factories

Last month, private cars were barred from use outside Bucharest, and this month the capital has been included

Soviet Union seeks to renew senior scientific establishment

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union is to seek to renew its senior scientific establishment by introducing a retirement age of 65 or 70 for full members of its Academy of Sciences, the 200-strong body to which the country's best scientists belong.

Mr Ivan Frolov, editor of the influential monthly Kommunist, the theoretical journal of the Soviet Communist Party, and a member of the Communist Party Central Committee, said that members of the academy would vote on the new retirement age in a secret ballot on March 10.

The retirement age is "most essential if you take into consideration that two-thirds of the scientists in the academy are 70 or above," he said.

Mr Mikhail Gorbachev, the Soviet leader, has made the modernisation of science and technology a centrepiece of his economic reforms. Last year he appointed Mr Gury Marchuk to be the new president of the Academy of Sciences charged with increasing its contribution to scientific change.

The new regulations, which have to be passed by a majority of two-thirds, will mean that on reaching retirement age the post of a member of the academy will be declared vacant, although the scientist "can remain within the framework of the academy and quietly live to be 100."

Unlike most Soviet institutions the academy has always enjoyed a certain autonomy Dr Andrei Sakharov, the dissident physicist, was never expelled.

Although this traditional independence shielded the academy from political interference by the Kremlin, it has recently prevented the promotion of new men to senior positions.

"In the past we thought of a member of the academy as a very old man with a beard and a black hat but the modern academician should be an active worker," Mr Frolov said.

● The family of Mr Yusuf Begun, an imprisoned Jewish dissident, demonstrated for his release for several hours in Arbat Street in central Moscow yesterday as police stood by without making any arrests.

Unauthorised demonstrations have in the past always led to immediate police action

EEC decision-making reforms impede research funds accord

BY WILLIAM DAWKINS IN BRUSSELS

IF THE EEC's research policy is held by some of its creators to be a key to the European response to the US Star Wars initiative, then the current wrangle over its funding looks more like trench warfare.

Meetings since the New Year between officials from Belgium —the new president of the EEC — and the European Commission have done little to resolve the deadlock over the research budget between the Brussels authorities and the three overall net budget contributors — Britain, France and West Germany. Senior Belgian officials have just completed a further round of meetings with their counterparts in national capitals, following which the presidency will now summon the Community's research ministers for another attempt at an accord on February 24.

But there are huge barriers to be overcome before an agreement can be reached. Entrenched on one side, the Commission is sticking to its demands for an Ecu 7.735bn (£5.7bn) research framework programme for the five years to 1991, itself scaled down from the Ecu 10.3bn proposed early last year.

Dug in on the other side, Britain is refusing to move from its insistence on an Ecu 4.2bn research budget, while France and West Germany are only a little more open to negotiation. That was the position when the last Research Council, due just before Christmas, was called off because the prospect of agreement was so remote — and nobody in Brussels is optimistic for the outlook for a breakthrough now.

Rarely can the Commission have allowed itself to become so deeply pitted against member states over such a small proportion of the EEC's total budget — the Ecu 7.735bn is the equivalent of a little under the margin of error allowed for farm spending over the same period.

The sides are far apart not just on arithmetic, but also on fundamentals. The Commission has taken a stand of high principle, in which it argues that the coherence of Europe's attempts to catch up in the technology race against the US and Japan is being threatened. Meanwhile, the three big

> At the heart of the controversy is the first political test of how the Commission and member states will share power under the Single European Act.

objectors are looking for value for money, though more cynical observers point out that national interests also play a part.

At the heart of the controversy is the first political test—which ironically has little to do with technology—of how the Commission and member states will share power under the coming Single European Act.

This aims to streamline decision-making and introduce more majority voting. Rather than make national ministers come to unanimous decisions about every element of a particular policy, for instance, the Act provides for the establishment of so-called framework programmes, of which research and development is the first.

Only the overall programme has to win member states' unanimous approval, while the individual projects in it can get by on majority decisions. This system gives the Commission a clear interest in keeping back details of spending demands until the last.

The budget disciplinarians among member states, by contrast, want to control as much detail as possible at this stage before exposing themselves to the risk of being outvoted later. And they fear that if they let the research and development programme get away now with too little detail on how its budget would be spent, that would set a bad precedent for future framework programmes in other areas.

Even if by some miracle member states and the Commission were able to come to a quick agreement on the framework programme, the present impasse over the overall EEC budget would deprive it of any cash. To complicate matters further, the "Race" investigation into advanced telecommunications, and two smaller schemes for medical research and technology for developing nations have been taken out of the framework programme in a procedural gambit by the Commission. They are not, in fact, yet ready for aproval.

The immediate damage caused to the EEC's research efforts by this Byzantine institutional intrigue is so far limted. The present four-year Ecu 3.5bn research programme does not run out until the end of 1987 and is in any case around Ecu 1bn underspent.

Apart from Race, which has just ended its definition phase and is now asking for Ecu 800m to continue, the other potential casualty is the "Esprit" study into information technology. Esprit had been scheduled to renew its Ecu 750m first tranche by the end of last December and is unable to ask as planned for a second round of applications.

"This is beginning to erode the benefits of the first phase," claims Mr Jean-Marie Cadiou, Esprit's director.

Mr Cadiou singles out in particular Esprit-funded projects in artificial intelligence and circuit printing as areas where non-EEC competition is moving fast. "The problem is that the discussion has taken a budgetary form, while we are really talking about a strategic planning tool," he adds.

Even Britain, the most entrenched among the objectors, accepts the strategic argument. But that does not stop it taking a deeply critical view of how the cash should be spent. London argues that its Ecu 4.2bn, a more than 10 per cent increase on the current programme, represents the highest rate of growth that can be managed efficiently given the pace of technology development.

Some elements, like the Joint European Torus (Jet) thermonuclear fusion project, should even be run down as they near the commercially competitive stage, beyond which public assistance is not needed, argues London.

The Commission points out that Ecu 3bn would automatically be swallowed up in more or less equal parts by the budgetary consequences of decisions taken during the current programme.

If the disciplinarians got their way, that would leave a mere Ecu 1bn for major projects like Race and Esprit a prospect which the Commission says it would never accept.

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EUROPEAN NEWS

Frontrunner drops bid for French TV station

BY PAUL BETTS IN PARIS

THE PRIVATISATION OF TF-1, France's oldest and largest state television station, has been thrown into doubt following the decision of Havas, the country's leading advertising and media group, to withdraw from the running.

Havas claimed that the price of FFr 3bn (£326m) the Government was asking for 50 per cent of the business was too high. It had been planning to buy a 15 per cent stake in a partnership with Hachette, the leading French publishing group.

Other major contenders for control of the channel have also been taken aback by the asking price although they have so far not gone so far as to pull out of the bidding. However, Hachette, which had intended to buy a 25 per cent stake in its partnership with Havas, is understood to be closely re-examining its position.

Bouygues, the country's biggest construction group and another contender for TF-1 indicated yesterday, however, that it was still interested.

The Government announced last week that TF-1 would be sold for a total of FFr 4.5bn but that the consortium of investors operating the channel would have to pay a premium for the 50 per cent stake offered to them. This it set at FFr 3bn. The remaining shares, including 40 per cent to the public and 10 per cent to employees of the channel would fetch about half the price of those offered to the channel's new operators.

The contenders for control of the channel also claim that the 10 year initial concession offered by the Government to operate the network is insufficient. They suggest that a concession of 20-25 years would have made the risks of investing in TF-1 more attractive. The Government has indicated that the concession would probably be renewed after the initial 10 years if the operators had shown a good track record.

None the less, the risks appeared too high for Havas which had only planned to invest about FFr 600m for its 15 per cent stake in TF-1 rather than the FFr 900m it would have had to pay following the Government's announcement.

The move by Havas, which was seen with Hachette as the frontrunner to gain control of TF-1, has now caused considerable uncertainty about the privatisation of the channel and the Government's intentions towards broadcasting deregulation. The Government is so far sticking to the FFr 3bn price for TF-1 even though this could place the privatisation at risk.

Potential bidders have until February 23 to submit their proposals to the newly set-up Commission National de la Communication et des Libertes (CNCL), the French equivalent to the Federal Communications Commission in the US.

The pricing decision has raised the question whether the Government really wants to privatise the channel 12 months before presidential elections next year. Some political commentators were suggesting yesterday that it was using the pricing policy to postpone the sale.

US still living better than most

BY OUR PARIS STAFF

LIVING STANDARDS in the US continue to be well above those of other Western countries, according to the latest calculating on purchasing power parities (PPPs) by the Organisation for Economic Co-operation and Development (OECD) and the statistical office of the European Communities (Eurostat).

PPPs are the rates of currency conversion which equalise the purchasing powers of different currencies enabling real comparisons of living standards using the US dollar as a common currency.

The OECD calculations show that the only country approaching US living standards is Canada whose real per capita gross domestic product is about 90 per cent of the US figure.

In nominal terms, that is converted at exchange rates, some countries, especially Japan, have recently moved much closer to the US. But the narrowing of the gap essentially reflects the increase in the exchange rate-coverted dollar prices in these countries. The OECD explains that position of Japan does not imply that the Japanese are becoming almost as rich as Americans as the quantities of goods and services produced per capita in Japan remain about 30 per cent below the US level.

GDP per capita in the US rose from $16,494 in 1985 to $17,200 last year. By comparison, Canadian GDP per capita on the PPPs basis rose from $14,959 in 1985 to $15,700 last year. In Japan, the figures were $11,666 and $12,200 respectively. But converted at exchange rates rather than using PPPs, per capita GDP in nominal terms rose to $16,200 in Japan last year compared with $10,997 in 1985 reflecting the appreciation of the yen against the dollar.

Real per capita GDP last year in the UK totalled $11,400; in West Germany $12,900; and in France $11,800. After Canada, the country closest to the US level was Norway with $15,100.

PURCHASING POWER PARITIES AND INTERNATIONAL COMPARISONS OF PRICE LEVELS AND REAL PER CAPITA GDP IN OECD COUNTRIES
GDP per capita (US$)

	1985		1986	
	Real*	Nominal†	Real*	Nominal†
US	16,494	16,494	17,200	17,200
Canada	14,959	13,635	15,700	14,100
Japan	11,666	10,997	12,200	16,200
Austria	10,610	8,743	11,200	12,500
Finland	11,421	11,024	11,900	14,400
Norway	14,098	13,960	15,100	16,500
Sweden	12,586	12,006	13,200	15,800
Belgium	10,718	8,022	11,300	11,300
Denmark	12,322	11,312	13,000	15,800
France	11,333	9,251	11,800	12,800
West Germany	12,158	10,243	12,900	14,700
Greece	5,914	3,294	6,100	3,900
Ireland	7,062	5,123	7,300	7,000
Italy	9,445	6,278	9,900	8,800
Luxembourg	13,636	9,745	14,300	13,900
Netherlands	11,382	8,628	11,800	11,900
Portugal	5,212	2,032	5,500	2,800
Spain	7,629	4,255	8,000	5,900
UK	10,882	7,943	11,400	9,600

* Converted at PPPs. † Converted at exchange rates.

Source: OECD/Eurostat

Strike halts coal mines in Spain

BY DAVID WHITE IN MADRID

STATE-OWNED coal mines in Spain's northern Asturias region were paralysed yesterday on the first day of a two-day strike in protest against interim plans for containing labour costs.

The strike was called separately by the two main union bodies, the Communist-led Wokers' Commissions, which originated in the Asturias mines, and the colliers' branch of the Socialist UGT.

Negotiations on a two-year plan involving the loss of 2,000 jobs at Hunosa, the nationalised coal company, broke down last week. Although the cuts are due to be made without out right redundancies, the unions argue that the proposals do not amount to a survival plan for the industry.

Protesters besieged Hunosa's headquarters in Oviedo, and Workers' Commissions have called for a demonstration today in Mieres, in the heart of the mining area, in a bid to get the Government to draw up a new plan.

Hunosa last year set a new record by registering losses higher than its total sales.

● Spanish students disrupted traffic, boycotted classes and visited factories yesterday to collect money and enlist workers' support for more protests to back their demands for exam-free access to university, Reuter reports. Riot police dispersed a few hundred teenagers who blocked streets in central Madrid.

More demonstrations are scheduled this week in the nearly two-and-a-half-month-old wave of student unrest in which nearly 100 people have been hurt in Madrid alone.

David Housego reports on a new lease of life for France's national planning agency

French planners heave a sigh of relief

AT the French national planning agency—the Commissariat du Plan—there is a quiet sense of relief. The sentence of death, which seemed suspended over the agency by the free market philosophy of Mr Jacques Chirac's conservative administration, has apparently lifted.

Ministers and officials are agreed that France needs to maintain an institution which can provide the Government with a medium and long term perspective — particularly as France has no equivalent to the US Stanford Research Institute or the information gathering mechanism of Japan's Miti (Ministry of International Trade and Industry).

They also believe that it is vital to preserve the agency's role of providing a meeting place where employers, unions and administration can exchange views over long term issues such as the future of the social security system. The necessarily for this has been reinforced by the recent wave of labour and student conflicts which showed a government out of touch with grass roots feelings in the universities and on the railways.

Confused

Whether the Government will call on the agency to draw up a new five year plan (1988-1993) and what shape this would take has still to be decided. Work should start in the spring.

In practice, given the present confused political situation and the uncertainties over who will be in power over the next five years, only the technical groundwork is likely to be laid before the presidential elections in May 1988.

A new long term plan—the tenth since the war—would almost certainly be less cumbersome than its predecessors and concentrate on defining a few priority areas and an overall strategy. But the Government is waiting for advice over this form the consultative Social and Economic Council due to report in March. It is then expected to bring forward legislation in the spring that would set the framework for future long term policy making.

It is already clear that the Government has pulled back from the crusading position adopted by some of its more ardent free market philosophers, who saw the planning agency almost as an obstacle to the free movement of market mechanism and a symbol of Socialist interventionism.

Former President Giscard d'Estaing last year declared that France had "no longer need of an administrative planning of its economy." Mr Herve de Charette, the Minister with responsibility for the civil service and the five-year plan, seemed to be bundling planning and the agency into a cupboard when he declared in the autumn that the time had come for a "profound rethinking" of planning *"a la francaise"* and condemned the ninth plan drawn up by the Socialists as the "Titanic without the orchestra."

The recent wave of labour and student conflicts showed a government out of touch with grass roots feelings in the universities and on the railways

In practice, French planning and the credibility of the planning agency have suffered from two main factors. In the early 1970s planning was too closely associated with achieving defined macro-economic objectives so that when the first oil crisis struck the plan lost credibility by being committed to an unrealistic annual 5 per cent growth in gross national product.

President Giscard also distrusted an institution which he felt was more appropriate to post-war reconstruction and the allocation of resources in short supply.

The second factor has been that the *Commissariat du Plan* has increasingly lost influence over decision-making. Though the Socialists believed in the importance of planning when they came to power in 1981, President Mitterrand promoted his rival, Mr Michel Rocard, to be Minister for the Plan as a way of pushing him aside. The two recent chairmen of the planning agency have been a trade unionist and a civil servant, both without the political weight to impose the agency's views over government departments.

The working habits of both President Giscard d'Estaing and President Mitterrand have helped minimise the importance of medium and long term perspectives over decision making. Though President Giscard convened meetings with ministers and outside advisers that focussed on longer term policy issues, neither he—nor his Prime Minister, Mr Raymond Barre—welcomed on such occasions comments that implicitly called their priorities into question.

President Mitterrand dislikes policy gatherings at which several people are present. He prefers to take his advice from ministers or officials individually before making up his own mind.

A recent report commissioned by the Government from Mr Jean-Pierre Ruault, a former civil servant, has sought to define both the value of planning in the French economy and the type of institutions that could help bring to bear medium term considerations on the formulation of policy.

Mr Ruault points to the increasingly marginal impact that the plan has had in recent years on public opinion, the Government or on thinking by union or industry. He says that companies and trade unionists who have been drawn into discussion groups and studies carried out under the wing of the planning agency have queried "the real usefulness of their work."

But Mr Ruault is equally adamant that France needs an organisation that focuses on the long term and tries to reconcile conflicting policy objectives. "It is precisely at the moment when certainties blur," he writes, "when the future seems less open, when the way ahead is more difficult to decipher, that it is essential to engage in a systematic effort of analysis, study and forecasting."

Mr Ruault's proposals are for a new think-tank to be established within the prime minister's office: the creation of a planning council of six to eight "wise men" empowered to sound out public and specialist opinion on key long term issues through British-style royal commissions, and a commitment by the Government to three-year public spending programmes that would give industry a clearer view of the Government's long term intentions than does the annual budget.

Abandoned

The report has been welcomed for its analysis and broad conclusions. Mr Michel Albert, the former head of the plan organisation and now chairman of AGF, the state-owned insurance group, says the type of planning associated with state intervention in industry and the economy has been happily abandoned.

But he is convinced that some institution concerned with medium term strategy is needed. "One reason is that we cannot live until the end of the century with the existing social security system," he declares.

Giscard: helped reduce planners' role

Within the planning agency, Mr Ruault's proposals have met with a more hostile reception. The feeling is that it makes no sense to break up the Commissariat's existing role as both medium term think tank and meeting point for the two sides of industry. It is also felt that the proposal for a three-year rolling budget is a hare that has run for long but one which the French Treasury has always succeeded in resisting.

The plan officials believe that the agency's prestige—and thus the quality of its work—can be restored if it is placed firmly under the patronage of the prime minister and given the authority that stems from his office. They feel that it has suffered most in recent years from being out on a limb under a separate ministry.

If the Socialists came back to power, they would put more emphasis on planning. A document to be submitted to the Party congres in April sees the planning agency as both a "look-out post" for future social and technological change and the guarantor of cohesion in government policy.

Singapore orders Asian WSJ to cut circulation

BY STEVEN BUTLER IN SINGAPORE

THE SINGAPORE government yesterday ordered a steep cut in the circulation of the Asian Wall Street Journal from 4,000 *to 400 issues daily.*

The order follows a declaration that the Journal is a "foreign newspaper engaging in the domestic politics of Singapore," and stems from the newspaper's refusal to print a letter from Mr Koh Beng Seng, director of the Banking and Financial Institutions Department of the powerful Monetary Authority of Singapore.

Mr Koh's letter referred to a Journal article in its December 12-13 issue, about Singapore's new second-tier stock market, the Stock Exchange of Singapore Dealing and Automated Quotation System (Sesdaq).

Coming after a drastic curtailment of Time magazine's circulation that began last fall, the order against the Asian Journal again raises severe questions about Singapore's future as an information and printing centre. The Asian Journal, which is owned by Dow Jones Publishing, is a *leading source of* business news about the region, since it is printed in Singapore and distributed on the day of issue.

The article in question reported on widespread scepticism in the financial community about the role of *Sesdaq, and raised questions* about whether the market would help to encourage an entrepreneurial spirit among *Singaporeans, as it is intended* to do.

Mr Koh's letter to the editor of the Journal, Mr Fred Zimmerman, said the article displayed bias on the part of the reporter, Mr Stephen Duthie, as well as errors of fact. Mr Koh objected to *Mr Duthie's* reporting the view that the Government would use the exchange to "unload state-controlled and government-backed companies."

These points were disputed in a letter which the Government released yesterday from Mr Zimmerman.

In his letter Mr Zimmerman said the Journal would be willing to publish a letter from the Singapore Government expressing its views on the subjects in the article, but said that the newspaper "cannot publish a letter attacking our staff member for unprofessional conduct, of which he is not guilty, and alleging errors that do not exist."

Mr Zimmerman said that the *newspaper's lawyers had* advised that Mr Koh's comments about Mr Duthie were defamatory of him. Mr Zimmer*man said* yesterday *that the* Journal was considering a legal challenge to the Government's action.

France seeks to forestall Libyan build-up in Chad

FRANCE, fearing a Libyan offensive in Chad after a large troop build-up, has rushed some 1,000 extra men and new materiel to the central African country, the Defence Ministry said in Paris yesterday, Reuter *reports.*

A ministry spokesman said France now had around 2,400 soldiers in Chad and was re*inforcing a series of new posi*tions nearer the so-called "red-line" along the 16th parallel.

The move follows Chadian reports, largely confirmed by French officials, that Libya has sharply boosted its presence in the north after suffering serious set-backs last month in the face of a Chad government drive northwards.

"The main aim of this re*deployment is to provide better* support for the Chadian Government in the event of a Libyan counter-offensive on Fada or *elsewhere," the spokesman said.*

Fada, a key oasis town in the northeast of Chad, was an important Libyan garrison until its capture on January 2 by Chadian government troops.

Kabul says 10,000 guerrillas seek peace

By John Elliott in New Delhi

AFGHANISTAN is claiming that 10,000 resistance fighters organised in 81 groups from different parts of the country have joined the "process of national reconciliation" launched last month by the Soviet and Afghan governments.

This was announced here yesterday by Mr Abdul Wakil, Afghan Minister of Foreign Affairs. Mr Wakil is in New Delhi for talks with the Indian Government in advance of a resumption of the UN-sponsored peace initiative in Geneva on February 25 which is expected to receive a new timetable for withdrawal of Soviet troops from Afghanistan.

Mujihadeen resistance leaders based in Pakistan deny Mr Wakil's claim which, if correct, would mean that the Moscow and Kabul peace initiative has been successful in splitting the ranks of some of the Mujihadeen resistance forces. Mr Wakil said that the 10,000 included men linked with virtually all the *seven main* resistance groups.

"Contacts and talks are going on with armed opposition groups all over the country," he declared. Those who *followed* the resistance groups' rejection of the peace offer would be "isolated among the people."

Contrary to reports from the resistance groups and refugee aid orgainsations, Mr Wakil also claimed that 20,000 refugees had returned to their homes in Afganistan from neighbouring Pakistan since the reconciliation campaign was launched. He accused Pakistan and Iran of preventing the return of other refugees.

● Thirty people were killed when a rocket hit an Antonov-26 passenger aircraft as it was taking off from Afghanistan's eastern town of Khost yesterday, the offical Soviet news agency Tass reported, Reuter writes from Moscow.

Tass said the aircraft caught fire, lost control and crashed. It said the dead included women, children and five crew. It said the incident occurred at 11.30 am local (0700 gmt), but it gave no further details.

Khost lies south of Kabul near the Pakistani border in Afghanistan's eastern Paktia province. Tass did not specify whether the passenger plane was Soviet or Afghan and did not say who was responsible

US AERIAL PICTURES SHOW SOVIET FORCES AT VIETNAM BASE

THE US military yesterday revealed for the first time aerial photographs purporting to show Soviet naval and air forces stationed at the expanded base on Cam Ranh *Bay in Southern Vietnam,* Chris Sherwell reports from Sydney.

The disclosure, by Admiral *James Lyons, commander in* chief of the US Pacific Fleet, was apparently designed to quash recent Soviet assertions *in Australia that Moscow has* no military facilities in Communist-controlled Vietnam.

His press conference also *followed confirmation last* week that the US would not sign the nuclear free zone treaty agreed by 13 South Pacific nations. Australia, New Zealand and other countries in the region have attacked the *decision.*

Asked why Washington had not followed Moscow and Peking in agreeing to sign, *Admiral Lyons said* nuclear-free zones would impede the US's ability to carry out its global responsibilities. US *naval forces* had to be free to transit throughout the world, he said.

Referring to the previously *unpublished Cam Ranh Bay* photographs, he said they were taken in December 1986 *and showed a total of seven* piers and numerous ships and submarines berthed at the port. Groups of flogger or *MiG-23 interceptors,* Badger strike aircraft and Bear bomber aircraft were shown at the air base.

According to Admiral Lyons, the facilities have "quadrupled" since the US left Vietnam in 1975. Apart *from those* in Afghanistan, Moscow's forces in Vietnam were its largest deployment outside the Soviet Union, he said. But he could not give figures for the number of Soviet personnel there.

He *also asserted that the* port of Kompong Som in Cambodia was being used by the Soviet Union to transfer *war materials to* Vietnamese forces defending the regime in Phnom Penh against anti-Hanoi rebels.

Admiral Lyons said the Vietnamese facilities gave the Soviet Union the capability to launch an attack on Australia, *New Zealand* and the *South* Pacific region if it wished.

On Soviet moves to reach fishing agreements with South Pacific island states, he said the recently expired deal with Kiribati and the new Soviet arrangement with Vanuatu offered Moscow "the most expensive fish in the world."

The *idea that the pacts* were simply commercial ventures was "hogwash," he declared. "The Soviets are after more *than fish.*"

Admiral Lyons, who is responsible for some 250 ships, 2,600 aircraft and 260,000 military personnel around the Pacific, was in Sydney as part of a three-week tour of pacific countries.

Chris Sherwell reports on an over-the-horizon radar system with huge potential

Jindalee takes Australian defence by storm

HALF an hour's drive north of Adelaide, next door to Holden's expansive car plant, stands an even larger area which began as a munitions factory in the war and subsequently supported Britain's rocket tests at Woomera in the 1950s.

Still a zone of high security guarded by military personnel and dogs, *it is now Australia's* defence research centre, focus of the country's military research and development *effort.*

Here, in reinforced one-storey buildings spread across 1,200 hectares, some 2,600 *government employees* and another 1,500 working for companies like British Aerospace and Thorn-EMI are engaged in *sophisticated military* research and development covering engineering, electronics and weapons.

They are developing or testing a wide variety of items — cluster bombs, laser depth sounders, communications jammers, even rocket motors, including one for an unusual hovering decoy. One of the most interesting and expensive, however, is a radar project known as Jindalee—an aboriginal word meaning "bare bones."

Jindalee is an over-the-horizon radar system which has the defence establishment both excited and concerned. The excitement springs from the economic defence possibilities it offers Australia. The concern is over whether it can possibly be *sufficient.*

Jindalee is described as Australia's "northern eye." It can already detect aircraft movements as far north as Singapore. In time it is supposed to be the country's early warning system against any possible air or sea-borne incursion from the north—to many *the most likely source of any* external threat.

The British Government has not yet decided whether or not to sign the relevant clauses of the Rarotonga Treaty for a nuclear-free zone in the South Pacific, but a decision is imminent, officials said in London yesterday, Robert Mauthner, Our Diplomatic Correspondent reports.

The US and France have already refused to sign important protocols to the treaty, which is strongly supported by Australia and New Zealand, the most powerful members of the 13-strong South Pacific Forum. The *Soviet Union, however,* has signed, though it has appended a declaration concerning the passage of *nuclear-armed ships through* the area which has yet to be fully clarified.

The world's five nuclear powers—*the US, the Soviet* Union, France, Britain and China—have been invited by the original signatories to *sign one or two protocols to* the treaty, but not the whole document.

All five have been asked to sign the protocol No. 2, which contains an undertaking not to undermine the treaty and not to use or threaten to use nuclear weapons against the parties to the treaty.

Only the US, France and Britain, which have depend*ent territories in the region,* have been invited to sign the third protocol to the treaty, under which they would *undertake not to test nuclear* weapons in the area.

The idea is to bounce high frequency signals off the ionosphere to illuminate a target and then to pick up echoes, rather like a conventional microwave radar.

Essentially the system aims to pick up frequency changes caused by moving objects (the Doppler effect), so the technical problems lie in measuring tiny changes and distinguishing these from natural background clutter.

As the change in frequency caused by a target may be only one 10/1,000th of 1 per cent, detection means using high-processing computer power. Sizeable amounts of electric power—2 Mw—are also needed for the equipment used to transmit and receive the beams.

This equipment has to be set some distance back from the *coast and the site chosen for* proving the system is near Alice Springs, in the arid heart of the continent. This has the added advantage of being under international air corridors.

After experiments conducted in the 1970s, the present more *powerful* system was *installed* in 1981. The transmitter is in an area of cleared bush 160 km north-east of Alice Springs. It consists of a vast array of radiating cables arranged so that the beam can be steered in a wide arc. The wavelengths used are longer than for micro-wave radar, which would go *straight through the iono*sphere.

The receiver, located 40 km north-west of the town, is in effect a 2.8 km fan-shaped antenna using some 100 km of cable and designed for a frequency band width of six to 30 Mh. Two rows of elements are used to allow the system to *discriminate between* echoes sought from the north-west and unwanted ones from the south-east.

In practice a *frequency* has to be selected which yields the most powerful possible signal to detect targets from background clutter.

The main contractor for the whole project is Amalgamated Wireless of Australia, and those participating in the programme have reported progress in tracking aircraft

The next step is to move from the current measurement and performance *definition* programme to conversion of the radar into an operational system. This is expected to be done by 1989, at a cost of some A$46m (£20m).

At the same time there is a plan to add more radars in order to provide comprehensive coverage through linked systems. *Last year's detailed* report to the Government on Australia's defence capabilities, compiled by Mr Paul Dibb, described this as a "priority matter."

According to the report, three radars would be needed in locations across the continent and a decision should be made in 1987-88 in order to allow the new radars to enter service by the early 1990s. Ultimately, Mr Dibb said, another two could be justified, to be introduced by the mid-1990s. The indicative cost per radar was put at A$105m.

Plainly, Jindalee promises to enhance Australia's air defence alert and early warning capabilities. According to Mr Dibb, those capabilities are minimal *against aircraft which might* approach at low level a single target such as Darwin let alone a more random penetration

The question in the minds of the military, and especially of the Australian Air Force, is how effective Jindalee can be. At present the system can tell *controllers that something is* coming, but, in the words of one observer, "it doesn't know what, how many or an accurate *position." The track can also* be lost if the oncoming target abruptly switches direction.

Beyond this, too much depends on the time of day and year, on the weather and on a lack of sunspot activity to make its information absolutely reliable.

That is why feeling remains strong for the acquisition of a more versatile airborne early-warning system. This would allow control as well, so targets can be discriminated and resources more usefully allocated.

The immediate case against an airborne system is its cost, particularly in providing a 24-hour system which Jindalee can offer easily. Mr Dibb says there should be no acquisition *of airborne systems until Jin*dalee is fully developed, since circumstances do not demand them. The financial savings *are put at A$222m.*

In fact, the systems are complementary and in time both are likely to be needed. In a *similar fashion,* no one doubts that ground-based microwave radar stations also remain necessary to provide higher definition targeting. Mr Dibb duly supports the installation of new radars and recommends the acquisition of mobile radars.

The results of the Government's deliberations on these matters are likely to become clearer in the next few months, after it publishes its response to the Dibb report. But whatever else happens, the Austra*lian-made Jindalee system* is certain to receive full backing.

Zimbabwe rail conflict averted

BY TONY HAWKINS IN HARARE

A CONFRONTATION between Zimbabwe and the South African homeland of Bophuthatswana has been temporarily averted following a South African transport services decision to send train crews into Botswana.

Last week Bophuthatswana said Zimbabwe train crews operating the railway from Zimbabwe through Botswana to South Africa must apply for *visas to enter* the homeland of Bophuthatswana en route for South Africa. But because Zimbabwe does not recognise the *homeland,* government officials here said no visa applications would be submitted.

The crisis was averted when the South Africans agreed to crew the trains from the Botswana/South Africa border thereby avoiding the need for Zimbabwean railwaymen to enter Bophuthatswana.

Zimbabwe is convinced that the crisis was stage-managed *by Pretoria as a warning to its* northern neighbours of their vulnerability to transport counter-sanctions should Zambia and Zimbabwe eventually go ahead with the Commonwealth sanctions package against South Africa.

The Botswana line carries just over half of Zimbabwe's import and export traffic with a further 35 to 40 per cent being moved through the Beit Bridge railway which directly links South Africa and Zimbabwe. *Less than 10 per cent is* being railed through the port of Beira in Mozambique which Zimbabwe and other front line states hope to develop as an alternative to the South African railways and ports.

Meanwhile, the private enterprise Beira Corridor Group (BCG) announced yesterday that its Z$1m *(£400,000)* debenture issue to help finance the rehabilitation of the Beira transport links had been substantially oversubscribed. A total of 200 debentures of Z$5,000 each were offered for sale and an estimated 250 applications were received from Zimbabwe-registered companies, many of which are foreign controlled. While the amount raised is tiny relative to the needs of the corridor, it does afford the private sector here *the opportunity to demonstrate* its solidarity with the Government in seeking reduced dependence on South Africa.

Moslem rebels in Manila talks

BY RICHARD GOURLAY IN MANILA

GOVERNMENT negotiators and Moslem rebel leaders reopened negotiations yesterday on a possible autonomy for parts of the southern islands of Mindanao and agreed to resume the talks on February 20.

Last month Mr Nur Misuari, leader of the Moro National Liberation Front, concluded a ceasefire agreement in Jeddah with a government panel in a bid to end a lingering 14-year Moslem insurgency. At that meeting, Mr Misuari dropped a long-standing claim for independence in Mindanao, where the country's 4m Moslems mostly live, and opted to demand regional autonomy instead.

Meanwhile a military spokesman said five civilians were killed by Communist New People's Army rebels in Davao del Sur province on Mindinao, less than a day after a 60-day ceasefire expired. The military spokesman gave no further details of the attack.

Gen Fidel Ramos, the armed forces chief, also ordered troops to pursue NPA rebels in the northern province of Kalinga Apayia who attacked soldiers, killing five and wounding five others in what the military called a "pre-emptive strike" before the ceasefire had officially expired. The rebels on Sunday rejected President Corazon Aquino's invitation to return to the negotiating table where, during the ceasefire, the two sides made almost no progress towards a lasting peace in the 18-year guerrilla war.

● The Philippines' commercial bank creditors have offered to reschedule \$3.6bn of debt over 16 years with a seven-year grace period at 1⅛ pe rcent over London Interbank Offered Rate (Libor), foreign banking *officials* said, Reuter reports from Manila.

The proposal is expected to pave the way for a compromise on restructuring repayments falling due between 1987 and 1991 when talks between Philippine officials and a 12-bank advisory committee resume in New York on February 23, the officials added.

Dubai, Abu Dhabi exceed quota

BY ANGELA DIXON IN DUBAI

BOTH Abu Dhabi and Dubai, but Dubai in particular, appear to be exceeding the oil quota accord reached for the Organisation of Petroleum Exporting Countries (Opec) reached in Geneva last December.

At the eighth meeting of Arab Gulf Co-operation Council (AGCC) oil ministers in Abu Dhabi, it emerged from industry sources that Abu Dhabi has topped 820,000 b/d in recent weeks. Dubai, which has a quota of 220,000 b/d is thought to have reached averages of 380,000 d/b at times. The total figure of 1.2m b/d contrasts with the Opec recommended total quota of 902,000 b/d for the United Arab Emirates, of which Abu Dhabi and Dubai are members.

RECENT PRODUCTION LEVELS OF THE OTHER GCC STATES

Recent production levels of the other GCC states

	b/d
Bahrain	42,000
Kuwait	950,000
Oman	70,000
Qatar	around 350,000
Saudi Arabia	3.8m

Oil ministers from Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and United Arab Emirates met to review the pro*gress of the Opec accord on* production and prices reached last December in Geneva.

All but Bahrain and Oman are members of Opec but the latter has agreed to cut production in co-operation with the organisation.

Sheikh Mohammed bin Rashid, who has responsibility for oil matters in Dubai, subsequently told a local newspaper, Ai Khaleej, known for its mildly anti-establishment policy line, that Dubai was within the quota limits discussed with UAE President Sheikh Zayed.

The indications are, however, that other Opec members are concerned, not so much at Dubai's production levels as at its trading policies and practices, which are very much tied to market movements. Last year, a senior Iraqi oil official openly criticised these practices.

Envoy quit over reform of apartheid

Mr Denis Worrall, the former South African ambassador to London, said in a newspaper interview that he had resigned because Pretoria's apartheid reform had stalled and its policies were becoming increasingly difficult to explain abroad, Reuter writes from Johannesburg. In the weekend interview *with the Afrikaans-language* Rapport, he said the Government had dealt a blow to its foreign envoys when it recently rejected power-sharing proposals for Natal province and shelved recommendations for limited reforms to racial segregation in residential areas.

He told Rapport that he first offered his resignation last May, only days before the failure of a Commonwealth peace mission to southern Africa.

The mission, one of the most serious attempts to start negotiations between Pretoria and its black opponents, was aborted after South Africa sent its army to strike at alleged guerrilla bases in three black-ruled states.

Chevron may sell part of its Angolan interest

Chevron Corporation, said it is considering selling a 9.8 per cent interest in Angola's state-controlled oil production operations, AP-DJ writes from San Francisco. Chevron holds a 49 per cent stake with an estimated value of \$1bn in Angola's oil operations. The Angolan state-owned oil company owns the other 51 per cent.

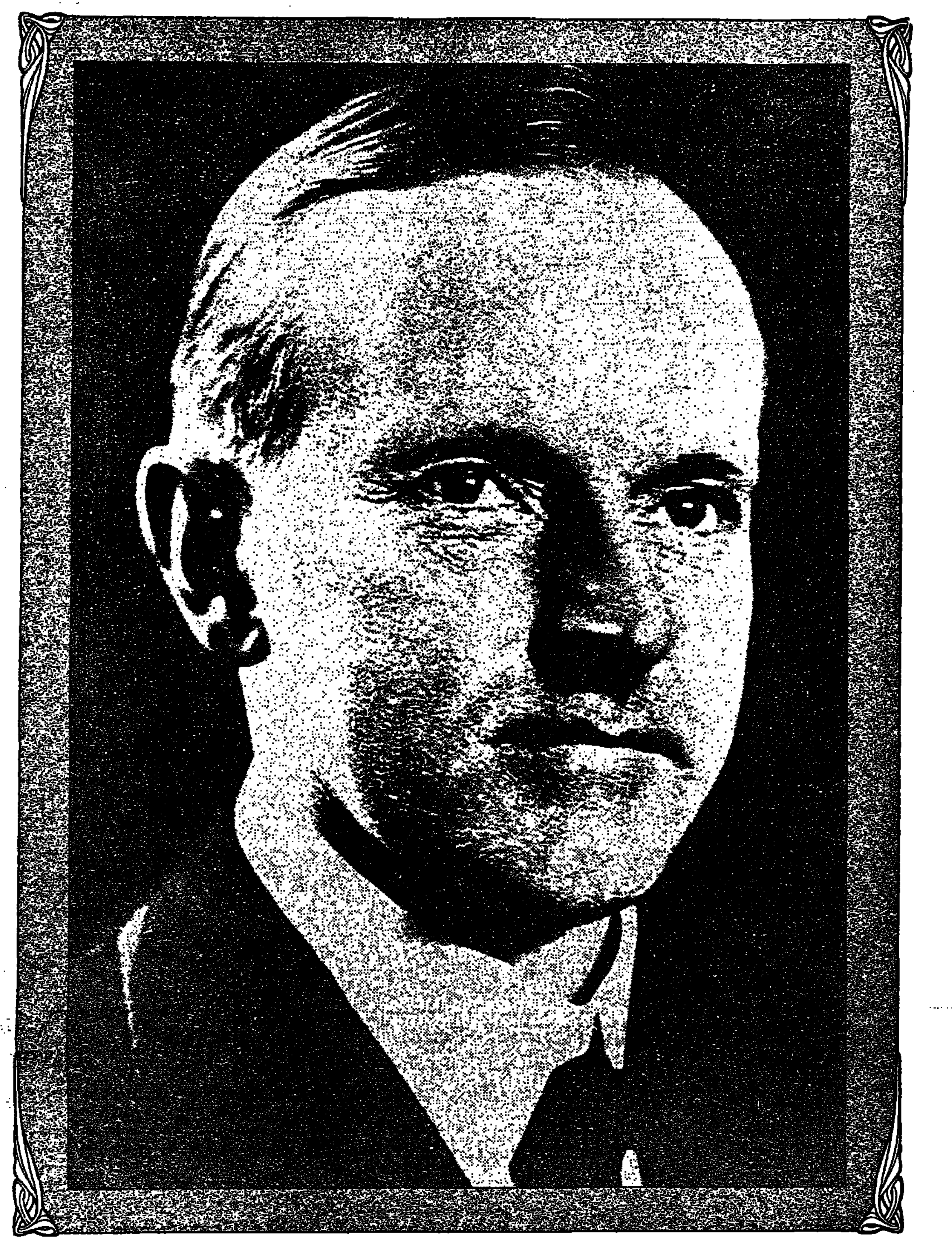
If the sale goes through, Chevron would be selling 19.6 per cent of its Angolan oil holdings. A spokesman for the energy concern declined to identify the prospective buyer or to specify the price.

US-Vietnam talks

Vietnam and the US started talks in Bangkok yesterday aimed at reviving a United Nations-sponsored programme to allow resettlement of Vietnamese in the US Reuter reports. US Embassy officials said representatives of the two countries planned to meet again today on the Orderly Departure Programme which they said was unilaterally suspended by Hanoi in Janauary 1986.

Sri Lanka aid fears

Sri Kanka may get less foreign aid this year because of the worsening ethnic problem on the island, Mr Ronnie de Mel, the Finance and Planning Minister, said yesterday, Reuter reports from Colombo.



How this man made his office the quietest in history.

For six years, Calvin Coolidge held the highest office in the United States of America — yet it is more than likely that you have never heard of him before.

The reason for this is simple — he hardly ever said anything.

The whole country knew its President as 'Silent Cal'. Every time he opened his mouth, it was said, a moth flew out. Alice Roosevelt was even less charitable. "He looks as if he'd been weaned on a pickle," she commented.

Even at an early age, it was clear that he was a man of few words. One day he was having his hair cut in a small barber's shop in Vermont when the town doctor walked in and sat down to wait. "Cal, did you take the pills I gave you?" he asked. Coolidge said nothing for a minute or two, then replied, "Nope!" A little later, the doctor asked, "Are you feeling any better?" After another long pause came the answer: "Yup!" When his haircut was finished, Coolidge started to leave without paying. "Aren't you forgetting something?" asked the barber. "Sorry," said Cal. "I was so busy gossiping with the doctor that it just slipped my mind."

But it was when Coolidge reached the White House in 1923 that he really hit form. He soon learned how to use his taciturnity to his advantage in Congress. Once, a member made an exceptionally long and boring speech in support of some measure, beginning virtually every sentence with the same words: "Mr Speaker, it is..." After he sat down, Coolidge simply rose and said, "Mr Speaker, it is not!" Everyone roared with laughter and the measure was killed.

Having a quiet office also helped him to get things done more quickly. His successor as governor of Massachusetts once paid him a visit to find out how he had been able to see so many callers every day and yet finish his work at 5 p.m., whereas he now found that he was often detained until nine. "How come the difference?" he asked. "You talk back," replied Coolidge.

When Coolidge left office, he passed on similar advice to Hoover regarding long-winded visitors: "If you keep dead still, they'll run down in three or four minutes."

One would expect a national leader to be a little more forthcoming at an official press conference, however. During the presidential campaign of 1924, he was asked, "Have you any statement on the campaign?" A long pause, then the reply: "No." "Can you tell us something about the world situation?" "No." "Any information about Prohibition?" "No." Then, as the disappointed journalists started to leave, Coolidge said solemnly, "And don't quote me."

The other media of the day were scarcely more successful in getting him to talk. A film cameraman once tried to get some shots of Coolidge and his wife for a newsreel (silent, of course). "Look pleasant," he told the President, "and for Pete's sake, say something! Anything; good morning or howdy do!" Coolidge actually obliged — but not without muttering to his wife, "That man gets more conversation out of me than all Congress."

Surely a President is expected to make speeches in public from time to time, you may say. Indeed he is — but Coolidge didn't. After he had broken ground for the cornerstone of a new public building, the assembled crowd waited for the customary address — but none came. Finally, the master of ceremonies asked him to say a few words. Coolidge thought for a moment, pointed to the spadeful of earth he had thrown up, said, "That's a mighty fine fishworm," and walked off.

On another occasion, Coolidge's train stopped to pick up coal and water at a small town on the way to St. Louis and a large crowd gathered outside to see him. An aide went into his private carriage and found him fast asleep. Tapping him on the shoulder, he said, "Mr President, sir, there are about twenty-five hundred people waiting to see you." Without a word, Coolidge got up and followed him to the train's observation platform. He gave his official smile and was loudly applauded. Then his wife appeared and was given an even greater ovation. Finally, a local dignitary shouted, "Now, you folks all hush up, y'hear? I want absolute silence. The President of the United States is going to address us." Silence fell. "All right," the man whispered to Coolidge, "you may speak now." Just then, there was a hiss of air as the brakes were released and the train began to roll out of the station. The president, still smiling, raised his hand to the crowd and said, "Goodbye."

As President, Coolidge was naturally obliged to attend many dinners, yet the more relaxed atmosphere of these still did nothing to make him more communicative. At one, he found himself sitting next to a very attractive young lady, but he did not acknowledge her at all. Bringing all her charm to bear, she made her big attempt to engage him in conversation. "Mr President," she chirped, "I have made a bet with my friends that I can get more than two words out of you this evening!" "You lose," grunted Coolidge, and relapsed into his usual silence for the rest of the meal.

His neighbours in Vermont fared no better when they presented him with a special handmade rake. Their spokesman dwelt at length on the qualities of the hickory from which it was made. "Hickory is like the President," he said. "It is sturdy, strong, resilient and unbroken." He then handed the rake to Coolidge who, after examining it closely, merely said: "Ash."

Cal did once invite some friends to cruise with him on the presidential yacht — but in the event, he hardly talked to them either. He spent most of his time alone at the rail of the deck, staring silently out at the water. "Look at him," remarked one guest to the others. "See how he stands with his head bowed over the rail. What great problems afflicting the nation can be burdening this man's mind?" Eventually, Coolidge turned round and joined them, saying, "See that seagull? Been watching it for twenty minutes. Hasn't moved. Think it's dead."

This still leaves one person with whom Coolidge must have talked at some length, however. After all, he couldn't possibly have given his wife the same silent treatment he gave everyone else...could he?

You've guessed it. One Sunday, Mrs Coolidge was unwell, so he went to church on his own. When he returned, she asked what the minister had preached about. After a long pause, he replied, "Sin." "Well, what did he have to say about sin?" she persisted. Cal remained deep in thought for some time and then answered, "He's against it."

When Coolidge finally left the White House in 1929, he was of course too set in his ways to change. A number of his college contemporaries met up in Spain and decided to have a reunion. They sent Coolidge a telegram asking him to send a message to be read out at the dinner — and to make sure that he knew he could say as much as he liked, they made it clear that there would be no cable charges. The dinner was well-attended, and at the climax of the evening, the ex-President's name was mentioned to great applause. When the ovation died down, the message was read: "Greetings. Calvin Coolidge."

Coolidge died in 1933 — and appropriately enough, the final word on his life was spoken by someone else. When Dorothy Parker heard the news that he was dead, her reaction was immediate: "How can they tell?"

You may feel that Coolidge's way of keeping his office quiet is not one that you could adopt yourself. However, there is something else you can do to achieve the same result.

Buy the new Epson SQ2500 computer printer. Unlike some printers, it doesn't make a noise like a cat sliding down a blackboard, so you can use it in your office and you won't know it's there.

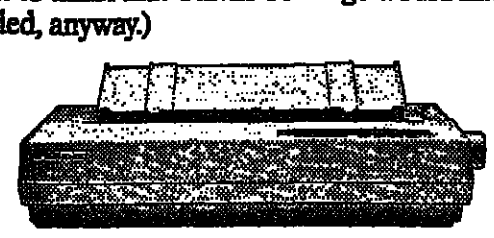
This is because instead of whacking the characters onto the paper, the SQ2500 quietly shoots on astonishingly accurate microdots of ink.

Like Silent Cal, the SQ2500 also gets its work done quickly. It can print an amazing 540 characters per second in draft, and even whizzes along at 180 c.p.s. in correspondence-quality mode (both at 12 c.p.i.). Changing between the five letter-quality fonts takes virtually no time either. All you have to do is press one or two buttons on the LCD 'Selectype' panel on the front.

In addition, the SQ2500 comes with a powerful 8K memory as standard, has an IBM character set and is exceptionally reliable even for an Epson (the print head will produce 1,000 million characters before it needs replacing).

The SQ2500 costs £1345 (RRP exc. VAT). This is more than an ordinary printer, it is true, but when you consider how quiet it will make your office, isn't it worth it?

We'd like to think that Calvin Coolidge would have said yes. (Well — nodded, anyway.)



EPSON

For further information on the SQ2500, either: write to Epson (U.K.) Limited, Freepost, Birmingham, B37 5BR; call up Prestel *280#; or dial 0800 289622 free of charge.

White House plays down Irangate leak

BY LIONEL BARBER IN WASHINGTON

THE WHITE HOUSE yesterday attempted to put a brave face on ebarrassing weekend revelations which have undermined its main defence for selling arms secretly to Iran.

A top-secret memorandum, written by Vice-President George Bush's chief of staff shows Mr Bush was told by a key Israeli Government official last year that the US was dealing with radicals in Iran.

For months the Reagan Administration has insisted it sold arms to Iran in order to promote ties with moderate factions in the Khomeini Government. President Reagan delivered this message to the nation on television last November, after disclosure of the arms sales.

The Chief White House spokesman, Mr Marlin Fitzwater, said yesterday: "The question of moderates and radicals is a semantic difference in terms . . . but you can define moderates and radicals in hundreds of different ways."

Aides to Mr Bush, a prime contender for the Republican presidential nomination in 1988, attempted to defend his role. They said that after the meeting last July in Jerusalem between Mr Bush and the Israeli, Mr Amiram Nir, Mr Bush passed on all information to President Reagan's National Security Adviser, Vice-Admiral John Poindexter, and Lt Col Oliver North.

A Bush aide said that the Vice-President was assured by both men that the US was dealing with moderates in Iran and that the Israeli assessment was therefore incorrect.

Mr Nir, a senior aide to Mr Shimon Peres, then Israeli Prime Minister, was a key intermediary between the US and Iran in the arms deals and in negotiations to free American hostages held by pro-Iranian extremists in Lebanon.

The revelations in the memorandum are probably the most damaging in the Iran arms scandal since it was revealed last December that up to $30m of profits from the arms sales had been diverted to Contra rebels in Nicaragua.

The revelations confirm what the majority of Americans had suspected, according to opinion polls: that President Reagan has not been telling the full truth about the arms sales. According to this view, it will be even harder for the president to regain his popularity and credibility in his final two years in office.

A further example of the continuing fall-out from the Iran affair came with reports that Mr William Casey, the former head of the CIA, was much more involved than hitherto disclosed with Lt Col North, the White House aide sacked for his role in the affair.

The Miami Herald quoted an unidentified intelligence officer as saying: "Without Casey's help at every stage, Ollie North would not have been able to do any of what he did for the Contras."

Meanwhile the Washington Post reported that the newly-nominated CIA director, Mr Robert Gates, has told staff they have a second chance to revise their testimony to the inspector general's office investigating whether the CIA violated a congressional ban on aid to the Contras in 1984-85.

Mr Gates, who has indicated he is not satisfied with some of the statements made by CIA officers, faces confirmation hearings before the Senate starting next Tuesday. The CIA's role in Central America faces extensive congressional investigation following the Iran disclosures and the forced retirement of Mr Casey, now recovering from brain surgery.

Hopes run high for political change in Haiti

Tempers are short as the poorest country in the Americas heads for elections, Canute James reports

ONE YEAR after the overthrow of President Jean-Claude Duvalier, Haiti is in a state of turbulence. After nearly three decades of rule by the Duvalier dynasty, Haitians have spent the past 12 months agitating against what their political leaders say is an unyielding rump of Duvalierism.

"For us, democracy cannot come fast enough," explained Mr Guy Dibert, a businessman. "Duvalier's departure promised democracy but Haitians are afraid that the democracy they get will be another type of Duvalierism."

Haitian concerns about their political future have not been eased by the timetable given by Lt Gen Henri Namphy, the army chief who heads the country's interim government. He has promised presidential elections in November, with a transfer of power to an elected government this time next year, to coincide with the second anniversary of the end of the dictatorship.

Lt Gen Namphy's error, in the eyes of many Haitians, has been to appoint to key positions in the interim government officials who were close to the Duvalier Government. But the street protests and strikes to dislodge the Government have been largely unco-ordinated and ineffective and administration has grown more assertive and confident.

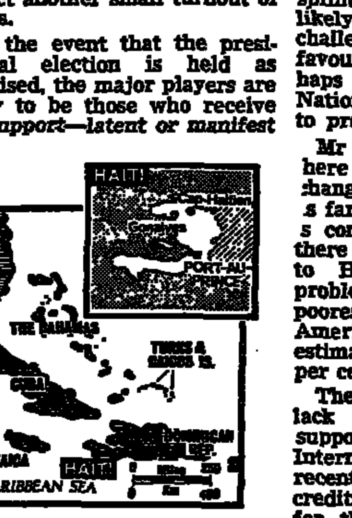
Lt Gen Namphy has dismissed questions about his ultimate intentions and whether he will step down as promised next year. His one desire, he said, is to retire to being "an ordinary citizen" of his country. Yet there are fears, particularly among the leaders of the nascent political parties who cherish presidential ambitions, that social disorder could see the army staying in office.

The army is one of three reasons the emerging politicians in the impoverished Caribbean country of 6m people have for not leaning too hard on Lt Gen Namphy's interim government. A second is the fact that they can now form political parties and speak freely, unlike during the Duvalierist years. The provisional administration has also reinstated civil rights, a free press and is on record as promising democratic government.

But by far the most important factor which the army leaders have going for them is that there is no obvious political alternative for Haiti—a concern freely admitted by Mr Marc Bazin, a former finance minister who leads the movement for the Institution of Democracy, and Mr Leslie Manigat, head of the National Democratic Progress Party.

As the frequency of anti-government protests lessens and the dozens of political parties get ready for the November election, there is little to indicate that Haitians have been motivated to satisfy their thirst for democracy. Election for members of a constituent assembly in October saw voter turnout of 5 per cent. The assembly is drafting a constitution which is to be put to Haitians in a referendum later this month. Diplomats in Port-Au-Prince, the capital, say they expect another small turnout of voters.

In the event that the presidential election is held as promised, the major players are likely to be those who receive the support—latent or manifest



—of the church, the army and the US. The church fanned the flames of the rebellion which unseated President Duvalier and churchmen who earlier attacked the interim government have moderated their position, giving Lt Gen Namphy a chance to live up to his promises.

Diplomats suggest the Americans, concerned at political instability in the Caribbean, would favour a moderate leader such as Mr Bazin, who was once a technocrat with the World Bank. The left, small and splintered, is considered unlikely to mount a serious challenge, while the army may favour the conservatives, perhaps even the Union for National Entente, which intends to propagate Duvalierism.

Mr Dibert says that while here are signs of political change "... it's plus ça change s far as the country's economy s concerned." It is true that there is little obvious change to Haiti's chronic economic problems, which make it the poorest country in the Americas, with unemployment estimated conservatively at 60 per cent.

There seems, however, no lack of foreign economic support for the country. The International Monetary Fund recently gave Haiti $24.6m in credits from a special facility for the world's poorest countries, and Mexico and Venezuela are said to be willing to allow the country again to be a beneficiary of a regional oil rebate facility which was withdrawn six years ago when it was alleged that the Duvalier Government diverted a shipment of oil to South Africa.

The US Government recently added $10m to the $109m in grants and loans which the US has committed to Haiti this year—$25m more than last year. The Canadian Government is giving C$30m over the next five years. A confidential report on the Haitian economy, prepared by the IMF, says the World Bank is expected to give Haiti loans of $53m over the next two years to assist the structural adjustment of the economy, promoting foreign investments and improving public transportation.

"These inflows would more than cover the projected widening of the current account deficit from 5 per cent of gross domestic product in 1985-86 to over 6½ per cent in 1986-87," said the report, "while allowing for an improvement in official net international reserves of $32m (1½ per cent of GDP) in 1986-87."

The Fund says the additional financial support will be highly concessionary

While the problems facing an elected government will be eased with this form of external assistance, some Haitians, including Mr Dibert, are more concerned about the next few months. "The expectations of the people are high, not only for political change but for economic improvement," he said. "I suggest that political tempers would be cooler now if Haitians were healthy and well-fed. We face the prospect of chaos between now and November if the thirst for democracy continues to be fuelled by poverty."

Caracas to seek foreign loans for development

By Joe Mann in Caracas

VENEZUELA is to seek large foreign loans for development projects for the first time in several years.

Mr Manuel Azpurua, Finance Minister, said the Government was applying for $1.2bn (£800m) in new credits from the Inter-American Development Bank and was planning to launch a new issue of dollar-denominated government bonds on the international market. He did not indicate how large the bond issue might be, but said the instruments would be variable interest notes.

At the same time, the Government is planning to seek large foreign currency loans from private banks to finance the expansion of its aluminium and steel industries.

It has also asked the World Bank for credits

This four-pronged approach to obtaining foreign credits represents a new and aggressive Government policy aimed at securing investment capital at a time when Venezuela's oil revenues, the nation's main income, still have not recovered to the levels of 1984-1985.

For several years, Venezuela has not approached the World Bank for credit. It was considered ineligible until recently because of its large oil revenues and foreign reserves.

In defending its applications for foreign loans, the Government will argue that it is the only Latin debtor nation that has paid off principal on its foreign debt without receiving large new loans.

It will also argue that the economy has recovered from a long recession and that fresh investment funds from abroad will be necessary to guarantee continued economic expansion.

Public-sector foreign debt at the end of 1986 stood at about $25bn. The Government also introduced a scheme late last year to assist private-sector companies in paying off several billion dollars in foreign debt.

It is several years since Venezuela issued government bonds denominated in foreign currency.

Anti-corruption chief to head Mexican state oil monopoly

BY DAVID GARDNER IN MEXICO CITY

PETROLEOS MEXICANOS, Mexico's controversial state oil monopoly, is to be put in the charge of the man who has spearheaded President Miguel de la Madrid's equally contentious "moral renewal" campaign against corruption.

Mr Francisco Rojas, until now the Comptroller-General, takes over Pemex from Mr Mario Ramon Beteta, who has become governor of the State of Mexico.

The stage is thus set for a new round in the war of attrition between the Government and the boss-style leadership of the oil workers' union, a synonym for corruption in Mexico. At the same time the reshuffle spreads the field of runners to succeed Mr de la Madrid who this year will select his successor for 1988.

Mr Beteta's departure is widely seen by Mexican analysts as a victory for Mr Joaquin Hernandez Galicia, known as La Quina, the oil workers' overlord.

In 1984 his administration cut a good deal of the financial underpinning of La Quina's formidable power by taking away the union's right to subcontract up to 40 per cent of Pemex contracts.

But neither Pemex nor the Government pressed home this advantage. In particular, they left exposed dissident oil workers willing to collaborate with the "moral renewal" effort.

Mr Beteta presided over an astonishing financial turnaround at Pemex. In the two years to 1984 he turned historic losses into a $5bn (£3.3bn) surplus, made the company, Mexico's largest by far, 80 per cent self-financing, and paid off a quarter of the $22bn foreign

For a sceptical public, however, this might as well have been done by mirrors since the Government clearly felt the magnitude of corruption and waste being addressed could not be brought into the open without major political damage to a regime one of whose hallmarks is bureaucratic secretiveness.

Mr Beteta appears to have lost his outside chance for the presidency, but Mr Rojas's prospects have been enhanced, though the "moral renewal" campaign is now publicly discredited. His success in spreading the practice of accounting throughout the public sector is prized in the administration, which is where his electors are.

But Mr Rojas, 42, and an accountant by training, has now been moved into the front line of the war against corruption, and towards the front line of a field of presidential hopefuls. His new boss, Mr Alfredo del Mazo, the Energy Minister, remains the favourite.

Rio murder rate puts it among most violent cities

BY IVO DAWNAY IN RIO DE JANEIRO

RIO DE JANEIRO looks set to claim the title of most dangerous city in the world with nearly twice the number of homicides last year as New York City.

A criminology professor, Virgilio Luiz Donnici, says New York registered 1,800 killings last year against 3,497 in Rio or 4,966 in the Greater Rio metropolitan area—an average of 13.7 a day.

A parallel study showed that in the middle class inner-city suburb of Tijuca half of 329 buildings visited, 162 had suffered robberies and assaults, some more than once.

The figures confirm growing anxiety among citizens that urban violence is out of control. During 1986, residents of the high income area of Ipanema took to the streets in demonstrations demanding greater police protection.

Anger reached a climax when a young girl student was kidnapped by the porter of her block of flats and later found dead after ransom demands. Her father was later picked by President Jose Sarney to join a team looking at new ways of tackling urban violence.

India 'calls off' talks with UK on steelworks deal

BY JOHN ELLIOTT IN NEW DELHI

TALKS BETWEEN the UK and India on a possible contract worth more than R12bn ($920m) for British Steel (BSC) to organise the modernisation of a steelworks at Durgapur in West Bengal have been called off by the Indian Government. New Delhi decided at the weekend to invite international competitive tenders for the work.

BSC was not prepared to take on the contractual responsibilities and guarantees involved in the project. It also proposed a total price of R20bn whereas the Indian government is estimating a total cost of R12bn.

There were also doubts in the Indian Government about whether the US should have the work, and in Britain's Overseas Development administration about whether a large sum of aid should be allocated to such a project.

BSC in London, however, said yesterday that talks had not broken down and were continuing.

Tenders will now be invited from Japan and West European steel-producing countries, including the UK, for six separate packages covering major sections of the 22-year-old British-built steelworks which has a designed capacity of 1.6m tonnes of ingot steel a year but is only producing only 850,000-900,000 tonnes.

The six contracts will total about Rs 7.5bn and include an estimated total of Rs 4.5bn of foreign-made equipment. Ten contracts to be placed in India will cover the rest of the work.

The UK first discussed modernising the Durgapur works in 1983, shortly after it had lost a £1.25bn contract to build a new steelworks in the Eastern Indian State of Orissa. It offered £100m of aid, but India let the offer lapse.

The Steel Authority of India revived the scheme a year ago and approached the UK for a negotiated turnkey contract, backed by British aid. It proposed that the BSC should act as a managing contractor and employ British companies through competitive tendering.

The BSC said this role was outside the scope of its normal work. Instead it proposed that it would operate as a consultant and that the contract should be awarded to a specially formed consortium, of British companies such as Davy McKee, Babcock, and GEC.

The British companies are expected to tender for some of the individual packages.

IATA airlines set up own insurance company

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE WORLD'S major airlines have set up their own insurance company through the International Air Transport Association (IATA), in an effort to keep premiums down.

The company, called Airline Mutual Insurance (AMI), which is Bermuda-based, was formally launched on January 1.

It is designed to provide additional insurance capacity for the airlines, stabilise insurance costs, and develop for the airlines' benefit increasing influence over rates, policy terms and claims settlements.

Mr Gunter Eser, IATA director-general, said that the airline industry was supporting the company "as an enhancement to the traditional insurance market.

"The world's airlines pay total premiums of over $1bn annually, but while the cost of insurance has rocketed, the actual cover has shrunk, forcing the carriers to resort to costly non-aviation markets for additional protection."

The company will be managed for IATA by Thos. R. Miller & Son (Bermuda). So far, three brokers, all in London, have been appointed: Borrowing Aviation; Nicholson, Stewart Wrightson; and Willis Faber & Dumas.

A reinsurance programme is in place for AMI, and this is being further developed.

Opel talks on sales to Hungary collapse

By Leslie Colitt in Berlin

OPEL, General Motors subsidiary in West Germany, said yesterday that its talks with Hungary on the sale of 25,000 Opel cars over five years in exchange for Hungarian truck components had collapsed.

Mr Ede Horvath, head of Hungary's Raba engineering company, was quoted as saying the deal with the US company fell through because the cars were too expensive. A price of Forints 500,000 ($11,400) per car would have been acceptable, he said.

Raba has supplied rear axels for GM trucks since 1980, but these deliveries ended last month. Opel said talks would continue with Hungary on other possible projects.

Earlier, a Hungarian newspaper reported that Raba had considered setting up a joint venture in Hungary to produce car components and that GM was the negotiating partner. The results, it noted, could have been imports of up to 18,000 Opel cars annually.

Hungary announced last month that it would import up to 1,500 used West German cars this year to ease the growing car shortage. The authorities have been negotiating with several Western car companies, including Suzuki of Japan, on setting up an assembly plant, as well as on deliveries of cars on counter-trade terms. But to be viable, the plant would have to produce at least 100,000 cars a year, the Hungarians noted.

They said at least half the components should be locally produced. Hungarian sources estimated it would cost up to Forints 50bn to set up an assembly plant in Hungary, most of it in hard currency.

Some 225,000 Hungarians have paid a 50 per cent deposit and are on waiting lists for cars, but only 107,000 cars—mainly Soviet Ladas, East German Wartburgs, and Romanian Dacias—are to be imported this year. The waiting time for a Lada is up to six years, which is still better than in East Germany, where it takes a 10-year wait.

The Hungarian authorities estimate that up to 250,000 cars annually will have to be imported by 1995.

William Dullforce reports on an increasingly vigorous defence by Japanese exporters

Japan questions EEC business practice

THE BACKWARDNESS of Europe's high technology industries and its inefficient business practices are as much to blame for its huge trade imbalance with Japan as Japanese exporters' greed or the impenetrability of the Japanese market, officials in Tokyo say.

Their remarks may be seen as part of Japan's increasingly vigorous riposte to the campaign waged from European capitals to compel it to reduce its trade surplus with the Community. The surplus reached its highest ever level of Y2,825bn ($16.7bn) last year, up by 3.5 per cent from 1985.

An analysis of the trade imbalance, prepared by the economic affairs bureau of the Japanese Foreign Ministry, singles out the relatively poor growth of capital formation in the Community's high technology sector as a crucial problem in the trade flow.

It answers Community complaints about the closed nature of the Japanese market by listing Euorpean barriers in the way of Japanese exporters. It also suggests that the presence of some 33,000 Japanese businessmen in Europe compared with the 2,000 Europeans operating in Japan may have something to do with the trade imbalance.

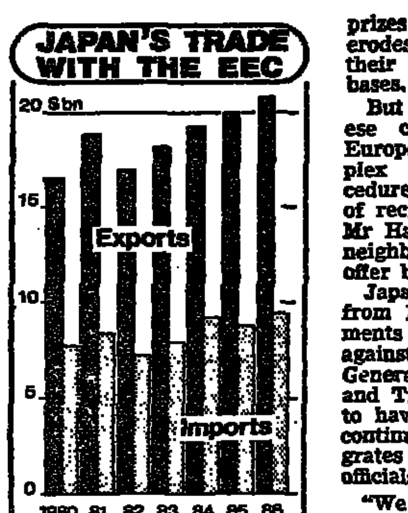
The eagerness of Europeans to penetrate the Japanese market is clearly lower than their enthusiasm for calling on governments or the EEC Commission to expert presure on Japan at official levels, the analysis tartly concludes.

The Foreign Ministry document, presented as a case for the defence at the last meeting of EEC and Japanese trade ministers in December, makes telling points about the weakness of European high technology and differences in industrial structure which are contributing to the trade imbalance.

Gross fixed capital formation in the high technology sector within the Community increased annually at a rate which was 4.9 per cent lower than in Japan during the period 1972-1982. Productivity in the sector during the 10 years from 1973 grew at an annual rate of 8.1 per cent in Japan against only 2.6 per cent among the 12, the analysis points out.

As a result, output of high technology goods where world demand has been strongest increased by only 3.8 per cent a year in Europe compared with 12.2 per cent in Japan. It explains the inability of EEC companies not only to win export markets but even to meet domestic demand, the Japanese argue.

EEC countries have continued to enjoy comparative advantages in providing services, which are reflected in



the current account balance and often forgotten in the argument over the trade balance. But "our feeling is that Europe needs to switch back somewhat to manufacturing," says Mr Azusa Hayashi, director of the first international economic affairs division in the foreign ministry.

One way of doing so, he suggests, would be to encourage Japanese industrial investment —an idea which is attracting more and more Japanese enterprizes as the appreciating yen erodes the competitiveness of their domestic manufacturing bases.

But the incentive for Japanese companies to invest in Europe is diminished by complex regulations and procedures, even by the difficulty of recruiting high quality staff Mr Hayashi says. The US and neighbouring Asian countries offer better deals.

Japan-bashing, as practised from Brussels in public statements and in promoting action against Japan under the General Agreement on Tariffs and Trade (Gatt), is also said to have a negative effect. The continuous pillorying of Japan grates against national pride, officials hint.

"We can understand that it is the (EEC) Commission's business to be tough with us but the shouting, the implanting of the image of unfair Japanese, is damaging the total relationship," Mr Makoto Kuroda, the blunt vice-minister at the Ministry for International Trade and Industry (Miti), says.

Japanese business and bureaucracy are becoming increasingly irritated by the balance of benefits campaign conducted from Brussels, and more inclined to hit back. The language is often euphemistic —"one-sided calls for efforts by the other party are not the way to attain fruitful solutions"—but the message comes across in Tokyo.

In the meantime, though the stronger yen may be changing the nature of the game. Last year the EEC was the only major partner with whom Japan's trade, both exports and imports, increased (exports up 4.5 per cent and imports up 5.6 per cent in yen terms).

Globally, although its surplus reached a record $82.7bn, Japan's exports fell in both volume (1.2 per cent) and yen value (16 per cent). Its imports increased in volume by 12.5 per cent but declined 31 per cent in yen value and even 2 per cent in dollar terms.

To the US — remembering that the yen has appreciated by some 55 per cent against the dollar since September, 1985—exports rose 23 per cent in dollars but were 13 per cent down in yen returns. Imports from the US fell even more rapidly, up 12 per cent in dollars but down 21 per cent in yen.

More important for the EEC is the trend apparent in the last quarter, in particular in December. In the last three months Japanese exports to the Community declined 6 per cent in yen terms while imports climbed by almost 30 per cent compared with the corresponding period of 1985.

Gatt nominations row resolved

BY WILLIAM DULLFORCE IN GENEVA

TRADE OFFICIALS will today open the first formal negotiating session of the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt), one day behind schedule. The delay is due to a squabble over the nomination of chairmen to the 14 negotiating groups, caused largely by the European Economic Community's attempt to secure a post for Mrs Teresa de Corne, director-general of the Italian Foreign Trade Ministry.

Groups defining terms for further reductions in import tariffs and for the elimination of non-tariff barriers will convene this morning under the chairmanship of Mr Lindsay Duthie, Australia's special trade representative for Europe.

Mr Duthie, a former secretary of the Australian Department of Primary Industry, will also preside tomorrow over the first meetings of groups handling natural resources and textiles.

Chairmanship of the key agriculture group has gone to Mr Aert de Zeeuw, director-general of agriculture in the Netherlands. This by no means implies that governments within the Community seeking to retard the serious attack on trade-distorting subsidies, for which the US and other major farm trading nations are geared up, will hold sway over the group.

Mr de Zeeuw, head of Gatt's committee on agricultural trade, is known to be convinced of the necessity for agricultural reform.

Among the other big world traders Japan has secured the post it coveted with the appointment of Mr Tomohiko Kobayashi, special economic advisor to the Foreign Ministry, to lead the group on trade-related investment.

As Japanese banks and industrial corporations, hit by the appreciation of the Yen, feverishly step up their investment abroad, the timing could not be better for Tokyo.

Mr Julius Katz, a former US assistant secretary of state, will chair the group to decide on ways of improving the functioning of the Gatt.

Developing countries have won posts of crucial value to them with the appointments of Mr Paul Leong Khee Seong of Malaysia to head the group of tropical products and Mr George Maciel of Brazil to lead work on safeguards. These are the frequently abused emergency measures countries are allowed to take under Gatt to counter a sudden surge of imports.

Italy has been appeased with the nomination of Mrs de Corne as vice chairman of the co-ordinating group of negotiations on goods. The chairman is Mr Arthur Dunkel, Gatt's director-general.

Danish shipowners attack proposed weapons ban

BY HILARY BARNES IN COPHENHAGEN

A PLAN to prohibit Danish-owned ships from carrying weapons or military equipment of any kind without prior government premission "will ruin the Danish fleet and cause the loss of several thousand jobs and billions of kroner in export revenue," said the Danish Shipowners Association.

The proposals, by the Social Democratic Party, followed revelations that Danish tramp freighters were engaged in the arms trade and had carried arms to Iran over the past two years.

The first reading of the proposal, which will call on the minority, non-Socialist coalition government to present legislation implementing the ban, will be next week.

The proposal is supported by two other socialist parties, the Socialist People's Party and the Left Socialists, as well as by the Radical Party, which usually supports the government. The four parties together have a majority.

The A. P. Moller Maersk Line, one of the world's biggest liner operations, would be among those most seriously affected my the proposed legislation.

The Social Democrats plan to make prior permission from the Justice Ministry a condition for Danish-owned ships to carry arms, ammunition or military equipment, such as military vehicles, equipment for para-military forces, spare parts, components or materials which could be used in the production of military equipment.

They also want a complete ban on transport of these goods to countries at war, to countries in "areas of conflict," or through areas were there is a danger to the ships and crews.

300E: 0–62 MPH IN 8.2 SECS, TOP SPEED 139 MPH. 260E: 0–62 MPH IN 9.5 SECS, TOP SPEED 133 MPH. (MANUFACTURER'S FIGURES – AUTOMATIC)

To know why the Mercedes-Benz 300E is so relaxed at high speed, look closely at this picture.

The 300E and its only slightly less powerful sister, the 260E, possess classic Mercedes-Benz elegance yet slice through the air better than any other luxury saloons. You can see why.

The body is the epitome of aerodynamic purity. Key points are the rounded nose, rising waistline, almost flush side windows and a tail that makes the air leave the car as cleanly as it flows over it. Phenomenal performance with exceptional quietness is just one benefit. Unwavering stability is another.

What you can't see in the picture is an even more satisfying aspect of Mercedes-Benz performance technology: the 260E and 300E's new six-cylinder engines. These 2.6 and 3 litre electro-mechanically fuel-injected sixes are the synthesis of a myriad of technical advances patiently developed over many years of testing. Their single overhead cam design delivers the high power, quiet running and extreme smoothness previously the preserve of V8s.

The results are exceptional. With 188 bhp, the 300E is one of the fastest saloons in its class. The 260E's performance is only slightly less exalted.

As with every Mercedes-Benz, the technological integrity runs deep. *Car* magazine called the multi-link rear suspension system "the most sophisticated steel suspension ever put into volume production."

Other distinguished motoring journalists registered cornering power stronger than many sports cars, but whilst the Mercedes 300E is a super handler, its driver and passengers also enjoy a marvellously supple and comfortable ride. There is also the reassurance of standard electronic anti-lock brakes that enable a driver to steer whilst braking on slick surfaces.

The interior, too, is a study in safety engineering as well as comfort. Importantly for long-distance driving, the meticulous design of the seats and layout of the controls is aimed at removing fatigue.

There is something else about these cars: Mercedes-Benz build-quality – the renowned factor that led a leading national newspaper to deduce "the Mercedes can be expected to hold its value."

With these new 2.6 litre and 3 litre saloons, Mercedes-Benz once again set new standards for the industry. Their performance is total.

Mercedes-Benz

Engineered like no other car in the world.

RJA/140/FT

Petroleum tax reform plan is overhauled

BY LUCY KELLAWAY

THE GOVERNMENT has overhauled its proposals for the reform of Petroleum Revenue Tax pricing, in response to heavy lobbying by the industry.

The new proposals, announced yesterday by Mr Norman Lamont, Financial Secretary to the Treasury, adopt most of the industry's suggestions while retaining the aim of the first draft – to put an end to the practice of "tax spinning."

This allowed an oil producer to minimise its petroleum revenue tax bill by making a sale to a third party rather than pass the oil to its *own refinery.*

The new draft differs from the earlier one, published last November, in three important respects. It will apply to all crude produced in the UK continental shelf, rather than just to Brent, as suggested initially.

Companies which wish to be taxed on the basis of an arms length spot deal must tell the Inland Revenue within two days of the price at which the deal was struck. Under the present system, a company can trade one cargo of oil several times over and, with the benefit of hindsight, select the lowest price to use for its tax returns.

When the oil price is volatile, the potential for abusing the system is great, and the potential revenue lost is believed to be significant.

The rules are expected to come into force on March 1, two months later than previously stated.

Under the November draft all sales were to be assessed at an average "market price" calculated by the Inland Revenue. The industry complained that this went against the basic principle of valuing a sale at the actual price received.

The revised proposal should re*duce the loss of liquidity in the* Brent market, which is likely to occur as a result of the changes. Without any tax incentive to make third-party sales, it had been argued that the market could become seriously illiquid.

● British Coal has been forced to cut its prices of coal to more than 200 hospitals in England and Wales.

After months of wrangling with the National Health Service's procurement branch, the coal industry has agreed on a new three-year contract for 400,000 tonnes of coal a year reflecting fluctuations in the price of oil.

An independent voice on energy

David Fishlock looks at the role of Mr John Collier, the new chairman of the UK Atomic Energy Authority.

A NEW and independent voice is available to the Government on the controversial issue of nuclear energy.

Mr John Collier, 51, who has spent his life studying rival reactor designs including British, American and Canadian, has just become the new chairman of the UK Atomic Energy Authority (UKAEA).

His succession is timely. A political row is inevitable if the Government tells parliament it wants to abandon over 30 years of British technology in favour of the Westinghouse pressurised water reactor.

The report of Sir Frank Layfield on the Sizewell B reactor on the east coast of England has given unequivocal approval to the choice of the American PWR. Moreover, both electricity demand growth projections and the plight of the domestic heavy electrical industry suggest orders for new generating capacity are *urgently required.*

For the past two years, of the four key voices advising the Government on nuclear electricity, three have been voices of non-technical administrators from the Civil Service: those of Mr Arnold Allen, chairman of the UKAEA until last month, Sir Philip Jones, chairman of the Electricity Council, and Mr Ivor Manley, deputy secretary responsible for nuclear energy.

None of these voices has had sufficient command of the technicalities to match that of Lord Marshall, chairman of the Central Electricity Generating Board (CEGB) and former chairman of the UKAEA. Certainly none had the confidence that came from knowing he had been sent to the CEGB for the specific purpose of relaunching Britain's nuclear energy programme.

The obvious weakness is that Walter Marshall, a scientist who still does physics for fun, has become both advocate and adviser, a dangerous duality of role, of which the Government has been aware. It told him bluntly it did not want his ideas for a new chairman of the UKAEA.

But nothing has brought the danger home more clearly than his personal advocacy and defence of the PWR – and specifically the "British PWR" *designed* by the CEGB for Sizewell – in the wake of the Chernobyl explosion. His voice above all others has been heard asserting that "it could never happen here."

That advice is firmly founded on Soviet admissions of basic errors in the design of Chernobyl, which flout fundamental Western standards, as well as in grave mistakes in the way the hapless reactor was operated. But the stridency and singlemindedness with which Lord Marshall has been repeating the message led Mr Christopher Harding, chairman of British Nuclear Fuels – who read history, not physics – to liken him to Lord Cardigan who led the charge of the Light Brigade.

The crucial importance of having an independent voice advising government was never more clearly demonstrated than when, a decade ago, Sir John Hill, then chairman of the UKAEA, told the Labour Government that its choice of the steam-generating heavy water reactor was not going to work. It was not advice that the Government of the day, and in particular its Energy Secretary, wished to hear.

It was good advice, none the less. The British SGHWR system, when examined by the safety criteria the Government's *own nuclear* inspectors were then applying to the American rival, looked hopelessly uneconomic. The advice was accepted because of the patent sincerity of the Government's chief nuclear adviser, and the SGHWR was duly killed off.

The Government now needs independent advice less in the case of the PWR, a well-tried system giving excellent performance in Japan, West Germany and France and in places in the US, than for two other reactors. One is the fast reactor, on which the nation is spending about £100m a year as part of a European technology club which aims to perfect an electricity system for the 21st century.

More urgently, it needs independent advice on the fate of the advanced gas-cooled reactor (AGR). The latest troubles, fuel vibration in the new *reactors at Heysham in* Lancashire and Torness in Scotland which threaten to delay their operating licence for up to a year, have muted the voices of knowledgeable AGR advocates.

The CEGB, while publicly stating that in principle it is willing to build more AGRs, may find considerable difficulty mounting a convincing economic case in practice. Although the Layfield report rejects some of the pessimism in CEGB estimates for the AGR, it also disallows some of the optimism of the South of Scotland Electricity Board, the AGR's strongest proponent. The report concludes that there is only an outside chance, one in five, of a new AGR station providing cheaper power than the first British PWR. The CEGB claims its second PWR will be substantially cheaper to build.

Nevertheless, there can be no question of writing off the AGR. Britain is committed to over 9,000 MW, all of which is expected to be generating into the next century. Some has not yet begun to produce power.

Over 20 years after construction began on the first AGR, Britain – mostly the CEGB – is still spending about £80 m a year on research and development.

Guinness chairman redeems pledge to Scotland

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SIR NORMAN MACFARLANE, the chairman of Guinness, the UK drinks and leisure group, will today preside over a meeting of the company's board for the first time since the takeover of Distillers. The meeting will be held not in London but in Edinburgh.

The Scottish chairman is redeeming a pledge which Guinness made when *it took over Distillers – to* hold board meetings both in London and Edinburgh, in recognition of the fact that two-thirds of the company's profits now come from Scotland's most famous product, whisky.

What may at this stage be little more than symbolic is being seen in Scotland as a step towards Guinness fulfilling the other promises made by its former chief executive Mr Ernest Saunders.

During the takeover battle Guinness said that it would move its headquarters and the office of its chief executive to Edinburgh and make Guinness a Scottish-registered company. Last August the promise *was watered down.* Only the company's "*designated* head office" would move to Scotland, along with its registered office. The moves would "take time."

It is unrealistic now to expect Sir Norman Macfarlane, who faces much graver problems, to give high priority to the question of moving the company's headquarters. But the questions is unlikely to go away: the brief honeymoon between Guinness and many Scots ended in trauma last summer when Mr Saunders reneged on his commitment to make Sir Thomas Risk, the Governor of the Bank of Scotland, chairman of Guinness. Scots have been gunning for Guinness ever since.

It is also central to two other burning issues in Scotland today: concern about the drift to England of control of Scottish companies and the dream of attracting companies based outside Scotland to establish their head offices north of the border.

The takeover of Distillers was the *biggest of an escalating series of* takeovers of Scottish companies (though Scotland had long since allowed the running of Distillers to fall into the hands of men domiciled around London). Last year also saw the Glasgow textile group Coats Paton merge with Vantona Viyella and move its headquarters to Manchester. In 1985 control of the House of Fraser stores group passed to the Al-Fayed family, and the head office left Glasgow for London.

Many Scots, including some economists, directly link the shift of control of Scottish companies with the decline in Scottish manufacturing capacity, or deindustralisation. The Scottish Trade Union Congress (STUC) in a recent well-argued document on the economy presented to Mr Malcolm Rifkind, the Scottish Secretary, said that, when a company headquarters left Scotland, there were "all too often changes in manufacturing components purchasing policy and sub-contracting which spreads the impact widely in the local economy. And there was a decline in demand for services such as legal and financial help, accountancy, advertising and public relations.

The STUC is calling for a Scottish takeovers watchdog body, including union representatives, to vet takeovers of Scottish companies. It wants the Government to reinstate "regional policy implications" in deciding whether to refer a bid to the Monopolies and Mergers Commission. These views have wide support in Scotland.

But not everyone agrees with them. Professor Jack Shaw heads a recently formed organisation called Scottish Financial Enterprise, which promotes the Scottish financial services industry, and wants to persuade companies to set up their headquarters in Scotland.

He says: "If you set up a ring fence round Scotland to provide protection for Scottish companies, you will also discourage immigrants." Companies will not want to *come to Scotland if their freedom of movement* could be restricted, he says, and protection on regional grounds could just encourage inefficiency.

He and others in the business establishment respond to the drift of control of companies to the south that Scottish companies must become more efficient and become UK predators themselves – as Scottish concerns such as Dawson International in textiles, Stakis in hotels, and Scottish and Newcastle in brewing already are.

Furthermore he believes that just as investment managers thrive in Scotland on a mixture of detachment from the herd instincts of London, and of services equivalent to those available in the capital, so companies ought to establish their decision-making headquarters in Scotland. Scotland, he said at a conference in Edinburgh a few days ago on Guiness and the Scottish economy, provides metropolitan conditions of life without metropoli*tan costs – in either financial or human terms.*

"That's why the idea of Guinness coming here is so exciting for us," he says. "A company of Irish origin coming, via London, to locate its corporate headquarters in Scotland..." NEI, the Newcastle-based engineering group which has a large presence in Scotland, is another example of the type of company which he would like to attract.

But many things cold shatter that dream, both in the case of Guinness and of other possible immigrants to Scotland. The location of headquarters often depends on chance factors, such as where the chairman likes living, says Prof Shaw (though that should not be an impediment in the case of Sir Norman Macfarlane, who comes from Glasgow).

The worst danger, as he sees it, is that companies will be put off by the aggressive language many Scottish politicians and trade unionists use towards the business community which, he says, "betrays lack of *respect as well as of under*standing." There was an outcry when Guinness recently announced more than 400 redundancies in whisky bottling in Scotland, even though the rationalising of distillers was what both contenders for the company – Guinness and the Argyll group – had been brought in to do. The fact that Guinness simultaneously decided to move Distillers' UK marketing operations back from Surbiton to Perth went almost unnoticed.

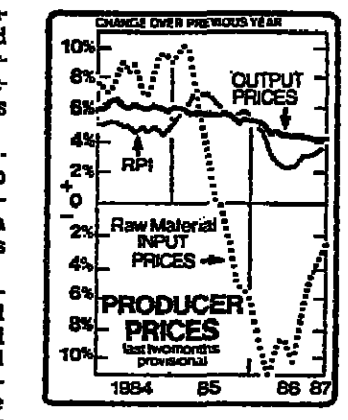
Scots believe that it is bad not just for Scotland but for the UK as a whole for almost all corporate power and headquarters services to be concentrated in London. Mr Campbell Christie, the general secretary of the STUC, insisted at the Edinburgh conference that Sir Norman Macfarlane must be pressed to move Guinness' headquarters to Scotland as soon as possible. But Prof Shaw led those who pleaded that only a much less strident approach to Guinness had any hope of success.

THE IMMINENT appointment of a new chief executive of Guinness to succeed Mr Ernest Saunders will be discussed at today's board meeting. Widely tipped in the City of London as the major contenders are Mr Anthony Tennant, deputy group chief executive of Grand Metropolitan and Mr Tony Simonds-Gooding, former group managing director of Whitbread, the brewer and now chairman and chief executive of the communications' division of Saatchi & Saatchi. An outside bet is Mr Gordon Waddell, a former Scottish rugby hero, who is shortly retiring as chairman of Johannesburg Consolidated Investment. Guinness is also expected to announce soon a new finance director. Mr Olivier Roux, the former finance director on secondment from Bain & Co, the US management consultancy, resigned in January.

Steeper industry costs signal higher inflation

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A RENEWED upturn in Britain's inflation rate this year was signalled yesterday by official figures showing sizable increases in manufacturing industry's costs and prices last month.



The figures are likely to strengthen the Government's reluctance to lower interest rates although financial markets are still anticipating a small reduction in borrowing costs after the March 17 budget.

The Department of Trade and Industry said that rising oil prices and higher prices for foodstuffs pushed up industry's fuel and raw material costs by 1 per cent in January. Manufacturers responded by raising the prices they charge at the factory gate by 0.7 per cent, the steepest one-month increase since April of last year.

The increase in costs came despite a 5 per cent appreciation in sterling's value against the dollar last month, a factor which could normally be expected to limit price rises for fuel and raw materials.

Part of the rise in manufacturer's prices reflects the natural tendency of many companies to adjust them at the start of each year. This year's increase, however, was higher than generally expected and pushed up the annual rate of growth to 4.3 per cent in January from 4.2 per cent in December.

The 1 per cent rise in companies' input costs was partly due to seasonal factors (the seasonally adjusted index rose by only 0.2 per cent) but also reflected the underlying upward pressure seen since last summer.

On a year-on-year basis, fuel and raw material prices still show some fall, largely because of collapse in the oil price at the beginning of 1986. The 2.5 per cent drop in the year to January, however, compares with an annual rate of decline of more than 10 per cent seen last summer.

Yesterday's figures will reinforce the expectations of most independent economic forecasters that retail price inflation will be significantly above the Treasury's forecast of 3¾ per cent at the end of this year. The consensus is for a rate of 5 per cent or slightly more.

Mr Nigel Lawson, the Chancellor of the Exchequer, may, however, seek to dampen upward pressure on prices ahead of the expected general election by not fully indexing duties on petrol, alcohol and tobacco at the time of the budget.

A post-budget cut in interest rates could also help to contain inflation for a short period at least by triggering a reduction in mortgage rates. The problem here for the Government is that monetary policy has already been loosened since last autumn and sterling remains vulnerable on foreign exchange markets.

Bank agreed NBB loan at time of bid

BY CLIVE WOLMAN

STANDARD CHARTERED, the London-based international bank which is being investigated by the Bank of England at its own request, first agreed to lend money to the National Bank of Brunei run by Tan Sri Khoo Teck Puat last April, at the time Lloyds Bank announced a possible takeover bid for Standard Chartered.

Tan Sri Khoo, a Malaysian financier whose bank has now been shut down by the Brunei authorities, was negotiating a loan from Standard Chartered for four months before a facility of 20m Brunei dollars (US$9.3m) was finally granted last April.

A further loan facility for Br$60m was granted in July shortly after Standard Chartered had successfully warded off the Lloyds bid with the assistance of Tan Sri Khoo, who spent about £70m buying between 5 and 6 per cent of the Standard Chartered shares. The granting of the loan had been postponed after a stormy board meeting in which Mr Michael McWilliam, Standard's managing director, was overruled.

Standard Chartered has strongly denied that it gave any form of financial or other inducement to Tan Sri Khoo or to any of its other loan customers who, between them, bought more than 30 per cent of the bank's shares in the final stages of the takeover battle to defeat the Lloyds bid. Such an inducement might be a criminal breach of the Companies Act.

However, several facts have emerged about the circumstances under which Tan Sri Khoo was lent money.

Standard Chartered had lent no significant sums of money to the National Bank of Brunei for at least three years before it received a request for a loan from NBB, which was owned and controlled by Tan Sri Khoo, at the end of 1985 or in early 1986.

In February 1986, Mr McWilliam became concerned about a shareholding in Standard Chartered acquired by Tan Sri Khoo. Mr McWilliam discussed the stake with Tan Sri Khoo, whom he viewed as potentially hostile in a period of mounting speculation about a takeover bid for the bank. Tan Sri Khoo then decided to dispose of the stake.

Between April 1 and April 4, Standard Chartered's shares soared from 608p to 698p in expectation of a takeover bid and then shot up to 830p when Lloyds announced its interest on April 4.

Standard rejected the bid, anc Mr MacWilliam set up a defence committee in which he discussed Tan Sri Khoo no longer as a potential hostile shareholder but as an investor, who might build up a stake and use it to help block the bid. It was in April that Standard Chartered first approved the £6m line of credit to NBB, according to a letter that the bank itself sent to the Brunei Finance Ministry.

At the stage, Standard Chartered became the only bank with a presence in Brunei prepared to lend NBB money. None of the other 10 international banks in Brunei was willing to do so. The US bank Citicorp, for example, regarded with suspicion NBB's accounting practices and its loans to Tan Sri Khoo's other companies.

In mid-June, NBB requested a further loan from Standard Chartered. Mr Michael Brown, the regional manager of Standard Chartered bank in Singapore who was responsible for lending to Brunei, had serious reservations about lending money to NBB which he conveyed to some of his Singapore banking acquaintances. Mr Brown subsequently accepted the granting of a credit facility of Br$60m.

The loan facilities, when drawn down, made Standard Chartered NBB's largest lender. Its total exposure amounted to 89 per cent of NBB's issued share capital and 40 per cent of its shareholders' funds.

After a weekend of hectic activity and disputes, approval for the loan facility was finally confirmed by telex on Tuesday morning, June 17. That afternoon, at the Standard Chartered board meeting, Mr Stuart Tarrant, the finance director, asked the board to overturn the decision because it might have breached the Companies Act. After lengthy discussions which extended into Wednesday the board supported Mr Tarranty's recommendations.

After the meeting, Mr McWilliam's relations with Mr Tarrant, deteriorated until Mr Tarrant resigned in late July.

It was decided however to grant the additional loan facility to Tan Sri Khoo once the bid was over, and the Singapore office was informed of that decision by telex and telephone. The Lloyds bid was finally defeated on July 12, but later that month Standard Chartered received a letter from the Brunei Finance Minstry warning that NBB was under investigation.

According to one official in Brunei: "The letter was meant as a warning shot. We were astonished when Standard Chartered appeared to ignore it and increased its lending by a factor of four."

The Brunei ministry investigation was subsequently made public, and the bank was shut down in November. The prospects for creditors, which include other international banks outside Brunei, receiving a full repayment of their loans are now considered to be small. Tan Sri Khoo has resigned his position as a director of Standard Chartered which he was appointed in August.

Mr McWilliam refused to comment last night on the loan to National Bank of Brunei. Slaughter and May, Standard Chartered's solicitors, said: "We have spoken to Mr McWilliam and Mr Brown, both of whom have categorically denied that there was any disagreement between them as regards a loan to National Bank of Brunei."

MARKETS ENCOURAGED BY BUDGET PREDICTIONS

London investors stay buoyant

BY TERRY BYLAND

LONDON stock markets looked a little more cautious yesterday as a weaker pound brought some selling of UK government bonds. Major market indices moved to fresh peaks – the FT-SE 100 gaining 12.3 to 1,910.7 and the FT Ordinary 7.7 to 1,516.6 – but an early surge was checked by a slow start in the New York market.

With the dollar lower, international investors were less active in London. Glaxo and Imperial Chemical Industries, both favorites with Japanese and US investors in recent weeks, gave ground yesterday. However, Reuters, with trading figures due shortly, attracted buyers from across the Atlantic.

But UK investors remained buoyant, as the City of London scented the prospects for a general election this year.

Despite the erratic trend of the opinion polls, the City is bullish on the Government's chances of winning a third term.

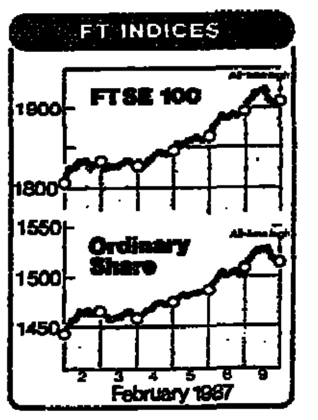
The market was encouraged by widespread predictions from brokerage analysts and the weekend press that Mr Nigel Lawson, Chancellor of the Exchequer, will cut personal taxation rates in his budget on March 17 – thereby stimulating the consumer spending that has already boosted retail industry stocks.

Also encouraging for equity market investors is the sparkling success of the British Airways share sale.

Shares in the leading banks, which benefit strongly from increased consumer credit spending, moved up sharply as the dividend season hove into view. Insurance stocks also extended recent gains.

Some traders expressed doubts about whether the UK market had become overbought – a state signalled in the recent trading sessions by a shortage of stock which has driven prices higher as market-makers were forced to bid for shares to meet their selling contracts.

Hopes of lower interest rates remained undented in the equity market despite an easier trend in government bonds at the close, when yields on long-dated issues were moving up towards 10 per cent once again.



However, selling of gilts came from market traders rather than from the big institutions.

Airport firemen's strike threatens jobs

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MANCHESTER airport and its concessionaires will today start laying off up to 6,000 staff if 52 striking firemen do not return to work and accept binding arbitration on their unofficial dispute over payment for operating new technology. The firemen themselves will face dismissal.

The firemen's strike, which was called at one hour's notice, has now closed the airport for 12 days. Management says that it has caused losses of more than £1m and severe inconvenience for at least 150,000 passengers. It also claims that several airlines are thinking of dropping Manchester from future schedules as a result.

The firemen meet today to discuss a recommendation from Mr Mick Martin, national officer of the Civil Air Transport group of the Transport and General Workers' Union, that they resume work and accept binding arbitration.

However, management's sudden hawkish stance yesterday – when it called its first press conference on the strike – suggests that hopes are low of Mr Martin's recommendation being accepted. Mr Gil Thompson, the airport's chief executive, said that he hoped other workers would pressure the firemen to return.

Mr Thompson refuted the firemen's claim that new working practices would reduce safety standards at the airport. The airport has 92 firemen in all, the other 40 being members of the Association of Clerical and Technical Staffs (ACTS) of the TGWU.

This figure compares with 80 at Gatwick airport, which handles twice Manchester's traffic, and 97 at Heathrow, which has two fire stations and two runways.

Manchester needs a minimum of nine men per shift under Civil Aviation Authority rules. Mr Thompson said it operated with 18.

Government forced to modify statement on surplus farm land

BY PETER RIDDELL, POLITICAL EDITOR

A GOVERNMENT statement of alternative uses of surplus farm land was yesterday toned down and modified following a furious row during the day between Mr Michael Jopling, the Minister of Agriculture, and Department of Environment ministers.

After a separate parliamentary argument over lack of disclosure Mr Jopling made an unusual statement at 7pm setting out a series of new initiatives, costing £25m when fully operational, and designed to encourage alternative uses of farm land, increased diversity on farms and in the rural economy and to encourage environmental protection.

The revised statement was generally welcomed in the House of Commons last night by most Tory MPs primarily with farming interests though some expressed concern about the extent of building in the green belt (protected land). The Opposition parties were critical.

The environment ministers – Mr Nicholas Ridley, Mr John Patten and Mr William Waldegrave – made known their anger after weekend press reports suggested that sizable amounts of farm land might be available for house building.

The ministers believe that Mr Jopling, in the original draft of his proposals, had been inept by over-reacting to the threatened vote of censure later today by the National Farmers Union.

Consequently, after lengthy wrangling, environment ministers claim that the statement delivered had been "sanitised" with the wording changed. This reflected their fears that their lengthy efforts to mollify the green belt lobby were being threatened by Mr Jopling.

A sizable group of Tory MPs report considerable local concern and opposition to any development of green belt land. The members fear that this might provoke a reaction among electors which would benefit the SDP/Liberal Alliance in the run-up to the general election.

Environment ministers argue that in all but two of the southern counties of England there is five years' worth of land for development with planning permission. They argue that their policy of building on inner city sites and on derelict land makes any inroads into the green belt unnecessary.

Mr Jopling was last night careful to emphasise that development would continue to be within planning controls, though agricultural considerations would carry less weight than before for less good farming land.

All is bright, Page 16

APPOINTMENTS

British Linen Bank directors

The BRITISH LINEN BANK has made three senior appointments: Mr Peter Henry Redhead has been appointed a divisional director, with the designation director, treasury. Mr Charles Whiteford Young has been made a divisional director, with the designation director, corporate finance. Mr Edward Davidson Murray has been appointed an assistant director within the corporate finance division.

★

Mr Reg Binfield of JACOB METALS, the trading arm of the A. Cohen Group, is to retire as managing director in June 1988. Consequently Mr Brian Lee is made trading director and general manager. Mr Brian Pritchard, a director, is appointed deputy managing director.

★

At STONE INTERNATIONAL, Mr John Bagley has been appointed managing director of its wholly owned subsidiary, Stone Transportation. He joins from Balfour Beatty, where he was director of engineering projects.

★

Following the acquisition of Exco International by BRITISH & COMMONWEALTH HOLDINGS, Mr John Gunn, chief executive of B & C, has joined the boards of Edgar Hamilton Group and its wholly-owned subsidiary, Edgar Hamilton, Lloyd's brokers. British & Commonwealth now owns an effective 48.6 per cent of Edgar Hamilton Group.

★

MURRAY & CO STOCKBROKERS, a member firm of Allied Provincial Securities, has appointed Mr Peter Kelley a director. He is also a director of Allied Provincial Corporate Services.

★

Mr Terry Goddard has been appointed group financial director and company secretary for the PIRBIC GROUP.

★

SINTROM has appointed Mr John Flint a non-executive director of its computer peripherals manufacturing subsidiary Perex. He was an international marketing executive for Plessey responsible for all major telecommunications products from fibre optics through to System X, covering the Far East, China and Australasia.

★

Mr John Gamble has joined CHESTERFIELD PROPERTIES as an executive director. Mr Gamble will move his company, *John Gamble & Company, to* Chesterfield's offices at 38 Curzon Street and continue to handle the property affairs of a small number of long-standing clients where no conflicting interests arise.

JACK LUNN (HOLDINGS) has appointed Mr John Brydon, managing director of Jack Lunn (Homes). He was formerly managing director of Bellway (Yorkshire).

★

Mr Paul Jones has been appointed sales director of REDLER.

★

Mr Trevor Murch has been appointed managing director of NEI PEEBLES. He succeeds Mr Mike York who is returning to Australia on his retirement. Mr Murch has been with NEI since 1985, initially with NEI Thompson and since January 1986 as chairman of International Power Machines Corporation of Dallas, Texas.

★

Mr Ian Johnson has been appointed managing director of JOHN MICHAEL PROJECT MANAGEMENT and will join *the board of parent company* John Michael Design.

★

Mr Michael Kuhn has been appointed *senior vice president* by POLYGRAM and will head its new business division. For the *past four years he has been* general counsel of the PolyGram Group.

Senior post at Shearson

Mr Richard H. Collier has joined SHEARSON LEHMAN BROTHERS INTERNATIONAL as a director of the mergers and acquisitions department. He was *previously a manager in the cor*porate finance department at Kleinwort Benson.

★

Dr Marvin H. Goldberg has been appointed chief executive officer of AMI HEALTH CARE. A senior vice president of American Medical International Inc, Dr Goldberg comes to lead the UK operations after a brief tenure as area manager, Washington *DC*.

★

Mr A. M. Stirling has been appointed chairman of THROUGH TRANSPORT MUTUAL SERVICES. Mr Stirling, a partner in Thos R. Miller & Son (Bermuda), joined the London agents of the joint managers of the Through Transport Club in 1975 from P & O. He was appointed managing director in 1985.

★

Mr Richard Demoulin, *formerly* principal manager, Belgium, and Lloyds Bank Representative to the EEC, has been seconded as managing director designate to FINANCE PLUS, *a new French* government bond company in which Lloyds has a 30 per cent shareholding. Mr Paul Johnson, a director and head of strategy at Lloyds Merchant Bank (Government Bonds), Lloyds' gilts primary market-maker, *has* also been seconded to Finance Plus on a short-term basis, to assist in the establishment of the company. Finance Plus is one of only 13 companies licensed by the French Treasury as a market-maker *in French Government* bonds.

★

Mr Ronald Brierley has been elected chairman of the INSURANCE BROKERS REGISTRATION COUNCIL in succession to Mr Henry V. *White-Smith who* has relinquished the position due to other commitments.

★

SEARS has appointed Mr Edward Green as group managing director of MAPPIN & *WEBB HOLDINGS and of its* two subsidiaries, Garrard & Co and Mappin & Webb Ltd. Mr D. Kendall-Smith, formerly managing director of Mappin & Webb Ltd, has retired.

★

Dr C. J. Earl has been appointed a director of the PERMANENT INSURANCE CO. He replaced Mr B. W. Fickling who retired on December 31.

★

Mr Richard Tully, senior partner of Buckle and Partners, London, has been elected chairman of the NATIONAL JOINT CONSULTATIVE COMMITTEE FOR BUILDING. The new vice-chairman is Mr Bernard Ball, *chairman and managing director* of the Ceraf Group.

★

THE LEE BEESLEY GROUP has made the following executive appointments: Mr Peter Rooney, group director—headquarters, has been appointed a director of Lee Beesley Mech & Elec and of W. H. Taylor (Derby). Mr Harry Smith has been appointed managing director Lee Beesley Mech & Elec, to expand and develop the electrical contracting, maintenance, repair and motor rewind services in the Midlands. Mr Leslie Allsopp is appointed director of Lee Beesley Mech & Elec. Mr Eric Cook has been appointed *director and general manager of* W. H. Taylor (Derby). Mr Vincent Collis is also appointed a director of W. H. Taylor (Derby).

★

At CANADIAN IMPERIAL BANK OF COMMERCE Mr David Royle has become senior manager of its newly-created project finance department. He joined CIBC five years ago as senior manager of the export and trade finance department. *He is suc*ceeded by Mr Trevor Wicks, formerly manager of the export and trade department. Ms Vanessa Holm, joining from James Capel Bankers, will replace Mr Wicks as manager.

★

SAPA HOLDINGS has appointed Mr Nick Vincent as group financial director. He was financial director of Spear and Jackson Industrial.

Mr Harry Axton has been appointed deputy chairman of the AUDIT COMMISSION, of which he has been a member since January 1986. He is chairman of Brixton Estate, Nuffield Hospitals and St George's Hospital Medical School and immediate past president of the British Property Federation.

★

Mr R. C. Ivy, chairman of ISC INTERNATIONAL TECHNOLOGIES GROUP, has been *appointed to the main board.*

★

Mr Geoffrey Dollimore has retired from the chairmanship of HUNTING ENGINEERING. His successor is Sir Ronald Mason. Mr Dollimore remains a director and also a director of Hunting Associated Industries. He will also continue to serve as chairman of Hunting Hivolt and Hunting Oilfield Services. He remains a director of Hunting Petroleum Services. Mr Brian Stairs has been appointed deputy chairman of Hunting Engineering.

★

Lord Chalfont, chairman of INDUSTRIAL CLEANING PAPERS, has assumed the newly-created position of president. Mr Graham Hebblethwaite, former deputy managing director, has become managing director. He takes over from company founder Mr Tom Drake who becomes chairman.

★

Mr John D. A. Zarne has been appointed to the board of the HALMA safety division. He was recently appointed managing director of Halma subsidiary Castell Safety International which specialises in the design and manufacture of industrial safety systems.

★

Mr Christopher M. Giles has been appointed a director of HILL SAMUEL PENSIONS INVESTMENT MANAGEMENT.

★

Mr W. S. Getz has been appointed a director and the compliance officer of N. M. ROTHSCHILD AND SONS and its associated companies.

★

WATNEY MANN NATIONAL SALES has appointed Mr Keith Eden managing director. He joins from Imperial Foods where he has been managing director of Lea and Perrins International since 1985.

★

THE HAREFIELD RUBBER CO *has* made two appointments. Dr Eric Marper has been elected to the board as marketing director. Mr Ronald G. Senior is now financial controller and company secretary.

★

MASE WESTPAC has appointed Mr David Saunders as a director. He was previously a senior vice president at the London office of Credit Suisse, in charge of bullion and treasury operations.

Mr Nigel McNair Scott has been appointed finance director of HELICAL BAR and managing director of HELICAL INDUSTRIAL HOLDINGS and its sub*sidiaries. He was previously* business development manager of Charter Consolidated and a director of a variety of its financial and industrial subsidiaries.

★

ALEXANDER *HOWDEN* GROUP has appointed Mr Brian C. Ainsworth a director. Mr Ainsworth is a director of Alexander Howden Ltd (AHL), the wholesale insurance broking subsidiary of Alexander Howden Group, chairman of the administration, technical and claims division and chairman of AHL's operations committee.

★

Mr Michael Martin has joined the board of L. TURNER (BUILDERS). He will take responsibility for marketing and after sales service on all its activities in London.

★

Following the announcement that FURNESS-HOULDER *(INSURANCE)* has re-organised its UK non-marine insurance broking activities, operating under the title of Furness-Houlder (Insurance Services), Mr John McLaren has been appointed chairman and managing director.

★

SPHINX has appointed Mr Mark Hayden as its first financial director. He was previously *general manager of* the US operations of Dubilier.

★

The COUNTY GROUP has appointed Mr Stephen Raven an executive director of County Group Ltd and a managing director of County Securities from May 5. He is deputy chairman of The Stock Exchange's domestic equity markets committee and the foreign equity markets committee.

BUPA finance director

Mr Kenneth Crafter, who has been group financial director of BUPA for the past 16 years and deputy chief executive for the past three years, is due to retire at the end of May. Mr D. R. Spray is to join the Association in May *to replace him as group finance* director.

★

NEWBURY DATA RECORDING, the principal operating subsidiary of DRI Holdings, has appointed Mr John Brooks as sales and marketing director. He joins from Digital Microsystems, a member of the Extel Group, where he was the sales director for four years.

★

Mr Michael Richardson has been appointed head of the eurosecurities division for CHASE INBESTMENT BANK in London.

★

JCB has made Mr Alan Meller its director of finance.

Jump of 14% in outstanding consumer credit

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

FURTHER EVIDENCE of the recent surge in personal borrowing in Britain was provided yesterday by official figures showing that the amount of outstanding consumer credit rose by around 14 per cent last year.

The Department of Trade and Industry said that outstanding consumer credit from finance houses, retailers and credit card companies, totalled £23.7bn in December 1986. That compared with an estimated £20.8bn in the same month of 1985.

The surge in credit has been an important factor in sustaining the boom in retail sales over the last year. Separate government statistics yesterday confirmed that, despite some downturn in December, the volume of retail sales in 1986 was 5 per cent above the levels of the previous year.

The pace of increase in personal borrowing, however, has generated some concern at the Bank of England, where senior officials have recently urged banks and other credit grantors to take a cautious approach to new lending.

The total stock of consumer credit outstanding is now around double the amount at the start of the 1980s. The Bank has been worried by a parallel rise in individuals' income gearing (the ratio of interest payments to household incomes) to record levels.

In early 1986 interest payments on all consumer debt, including mortgages, accounted for nearly 9 per cent of household income and that figure is likely to have risen further since then.

Yesterday's figures show that credit card companies, finance houses, and retailers extended a total of £31.5bn of new credit during 1986. Direct comparisons with 1985 are complicated because credit card borrowing was included in the official figures only at the end of 1985.

The increase in lending, however, appears to have been spread across different lenders, with finance companies showing particularly strong growth in new lending.

In its final figures for retail sales, the Department of Trade and Industry said that the volume fell back 1.1 per cent in December from the record level seen in November but that reflected an erratic monthly movement

Sales in the last three months of 1986 were still running 2.2 per cent above the level of the previous three months.

Cinema industry busier

BY RAYMOND SNODDY

CINEMA ADMISSIONS in Britain improved once again last year as the industry continued to fight back from its low point in 1984.

According to market research carried out by Marplan, the total number of tickets bought last year totalled 72.6m, an increase of 3.5 per cent on the previous year

The increase in visits to the cinema in 1986 came despite the fact that 69 per cent of 15 to 17-year-olds have access to video recorders, compared with 47 per cent of the general population.

The 15-24 age group is still the core cinema audience, accounting for about half of all cinema visits,

Clive Wolman concludes a series of assessments of the City of London 100 days after Big Bang

Commission scales still likely to be renegotiated

BIG BANG, it was widely believed, would mark the end of the gravy train for the London Stock Exchange and its members after 10 years of almost continuously rising prosperity behind the shelter of a powerful price cartel.

Stockbrokers would suddenly find their commission rates severely cut and their services bypassed by their largest clients. At the same time, the jobbers would see their dealing spreads squeezed and their market shares disappearing under a flood of foreign competition.

The outcome would be a rash of insolvencies and large-scale unemployment in the City of London as the UK securities industry consolidated into a few multinational mega-conglomerates.

In the first 100 days of Big Bang, the first half of the scenario was confirmed with a vengeance, in both the gilts and equities markets. But part two is now widely viewed as an overdramatic and simplistic projection.

After the soaring equity markets and upsurge in turnover over the last 10 weeks, the current mood ranges from grim determination coupled with an element of self-deception among some to a sense of relief and satisfaction among others. The chances are negligible that any but the smallest firms will be forced to pull out of the securities industry altogether during the course of 1987, let alone become insolvent.

The confusion over the stock exchange's turnover figures has allowed almost all the larger firms to claim they have sustained or increased their market share, on one definition or another. On more rigorous measures, a different picture emerges.

Stockbroking commissions for institutional investors have generally been cut by around 50 per cent. The large majority of stockbrokers are now charging a rate of about £2,000 per £1m of business (0.2 per cent).

Some of the smaller institutional investors and those that spread their commissions around widely are being charged up to 0.25 per cent. By contrast, brokers lacking a strong research base are charging only 0.175 per cent, and some of the largest deals can be done on even lower commissions. But most brokers and clients appreciate the simplicity of charging a single flat rate to each client rather than calculating a graduated rate, according to the size of the deal, as was required under the pre-Big Bang minimum commissions scale.

Commission scales are likely to be renegotiated over the next few months. But whereas most brokers are hoping for either an increase in rates, or at least a guarantee of minimum volumes of business from a client, some of the largest institutions, led by the Prudential Assurance, are looking for further cuts. The experience of New York in 1975-78 suggests that the Prudential's view could be more realistic in the longer term.

Both sides have so far been reluctant to resort to tougher measures. Few brokers have actually cut off their flow of company research bulletins to institutional clients. At the same time, few institutions have told brokers that they no longer wish to use their services although in practice they may no longer be putting any significant business their way.

Since the new year, the fund managers have been conducting more of their business on an agency commission-paying basis. The proportion of deals done directly with the market-makers free of commission has fallen from about 50 per cent before Christmas to 40 per cent.

In the first two months after Big Bang, most wanted to flex their muscles and to impress the pension fund trustees and other clients in their year-end reviews with a low average rate of commission for 1986. The larger investment management houses, particularly of the merchant banks, with in-house dealing arms, found it easy to deal directly with market-makers. But since then, most have become more concerned that they may be gradually pushed down the priority list of telephone calls made whenever a stockbroking analyst or salesman has a bright idea or strong recommendation.

Mr Peter Quinnen, of James Capel, one of the few large stockbroking firms not to diversify into UK equity market-making, said: "We are not consciously trying to punish people, but eventually the salesman loses his motivation to contact a client if he does not get any business in return."

Wood Mackenzie, another strong research house, has moved into market-making but only on a limited scale and more than 70 per cent of its transactions for clients are on a commission-paying basis.

The two biggest integrated securities houses, Warburg Securities and Barclays de Zoete Wedd (BZW), which have incorporated the largest jobbing firms of the pre-Big Bang era, are doing much higher proportions of their business on a commission-free basis. Their jobbing arms have inevitably suffered a sharp fall in the share of the transactions with outside investors as a result of the influx of new market-makers. Nevertheless, their integration exercise has been fairly successful, and they are still generating more business from investors than pre-Big Bang.

All the market-makers have had to accept smaller spreads, particularly on the most actively traded "alpha" securities. The touch price – between the highest bid and lowest offer price available in the market – is often less than 0.5 per cent in the most liquid stocks and has fallen by an average of 0.2 percentage points since Big Bang. But even the gamma and less actively traded beta stocks have generally been quoted at slightly lower spreads and the normal market size at which investors can deal has increased, laying to rest the fears that Big Bang might mean a drying-up of liquidity.

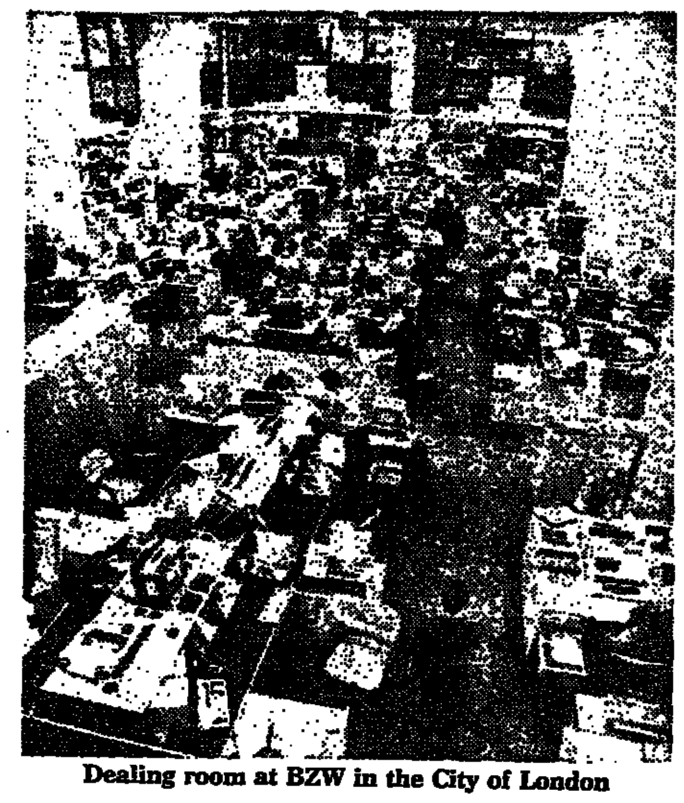
The smaller profit margins for market-makers have been offset by three factors. The upsurge in inter-market maker dealing and the growth of the options and futures markets have given them more opportunities to lay off and limit their risks. Second, the rise in the value of the stock market since mid-December has boosted commission income proportionately and given stock holding profits to most market-makers.

Finally, there has been a sharp increase in turnover. The stock exchange's figures point to an increase in the average daily volume of customer transactions of between 50 and 60 per cent since Big Bang. This figure covers only UK equities and excludes dealing between stock exchange market-makers and broker-dealers. It also counts as two transactions deals where a broker merely matches a bargain between two outside investors, one buyer and one seller.

The increase has been caused partly by the rise in the market and the greater number of brokers and dealers looking for business but mainly by the sharp fall in dealing costs, commissions, spreads and stamp duty.

Most of the increase in volume has come through institutions dealing in much larger sizes. Whereas previously a fund manager might respond to, say, a downward forecast for ICI shares by selling a quarter of his holding, now he is more likely to sell the whole lot and buy them back later if the outlook improves.

The other factor which has helped sustain profits, particularly for the smaller firms, has been the business from individual investors, buoyed up by the TSB and British Gas new issues. Commission rates have generally remained unchanged at 1.65 per cent for small bargains. A few cut-price dealing-only brokerage services have been launched with commission rates as low as 1.0 per cent.



Dealing room at BZW in the City of London

According to Mr Keith Goldie-Morrison, a partner of Keith Bayley Rogers and one of the representatives of the smaller firms on the stock exchange council, "There is no pressure for price-cutting from the private client. There was a lot of gloom from the smaller brokers before Big Bang as they thought they would be squeezed out. But that has not happened, and the real pressure has been on the big firms."

Mr Fred Pettit of Scrimgeour Vickers admits that his firm, which is owned by the US bank Citicorp, has been having a tough time with the "dramatic reduction in commission income." Employees at several other large firms, such as Phillips and Drew, Chase Manhattan Securities, L.Messel and County Securities (the National Westminster subsidiary) are equally honest. According to Mr Pettit, "Some capacity will have to be taken out of the business. It may take a year or two, but those with deep pockets will survive until then."

Even when the shake-out comes, insolvencies or dramatic withdrawals are unlikely in an industry with relatively low-fixed costs and high variable ones, mainly in the form of salaries which can be cut

CAP and Plessey form data communications joint venture

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

CAP, the UK computer software company, has joined forces with the Plessey telecommunications group in a new joint venture aimed at exploiting the fast-expanding world market for data communications networks.

The two parent companies will each have a 50 per cent share in the jointly held company, intends to bid for business in both the UK and the rest of Europe. Its initial target is the UK government contract to promote a country-wide network for the Inland Revenue, Department of Health and Social Security, Customs and Excise and the Home Office, estimated to be worth between £150m and £300m over seven years.

The data communications systems industry has developed to help companies which need to transmit large amounts of information between offices indifferent locations, or between computerised work stations within a building. While many large companies have developed their own networks, there is now a growing market among groups of smaller companies which are clubbing together to develop dedicated systems of their own.

Initial proposals for the government contract, the most ambitious step so far towards the paperless office concept in the UK, are due before the end of this month, and final contracts are expected to be signed in the autumn. Billed as the most ambitious step so far towards the paperless office concept in the UK, it is aimed at linking up around 100,000 terminals around the country.

UK NEWS

Economic indicators 'could help Tories'

By Philip Stephens

THE CONSERVATIVE Party would be able to go to the polls later this year with the benefit of fairly strong key economic indicators, the Oxford Economic Forecasting Group said in its latest analysis of Britain's economic prospects.

The group's review said another year of buoyant consumer spending, a much-improved outlook for exports, a fall in unemployment to below 3m, and some revival in industrial investment would all back the Government's claim of a sustained economic recovery.

The outlook for inflation is less encouraging, with the annual rate likely to be above 5 per cent by the end of the year, but the deterioration will be less marked during the autumn, one of the favoured dates for an election.

The review said that Mr Nigel Lawson, the Chancellor of the Exchequer, is likely to cut taxes by £2bn-£2½bn in his March 17 budget, combining a 2p reduction in the basic rate of income tax with a 7 per cent rise in thresholds (around 3 per cent higher than needed to index for inflation).

The Chancellor might also choose not to raise excise duties on tobacco, alcohol and petrol in line with inflation, a move which would slow the pace of price rises in the economy.

The Oxford group said that the consumer boom seemed set to continue through this year although at a slower pace than in 1986. It predicts that consumer spending, given added impetus by tax cuts, will rise by 3¾ per cent in 1987.

The recent gains in competitiveness for British industry, following last year's sharp devaluation of the pound, and stronger growth in world trade should lead to growth of more than 5½ per cent in export volumes. That, combined with buoyant domestic demand, is likely to trigger an acceleration in investment expenditure both this year and next.

● The Treasury's revenues from mainstream corporation tax could be as much as 40 per cent higher in 1986–87 than in the previous financial year, according to City of London securities house Credit Suisse First Boston.

Eurotunnel cash hopes 'hinge on new image'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

EUROTUNNEL, the *Anglo-French* Channel Tunnel consortium, needs a new image if it is to succeed in raising £750m in an international share offer this summer, Sir Nicholas Henderson, a director of the consortium, said yesterday.

His comments, in a BBC radio interview, break the official silence surrounding speculation over the future of Lord Pennock as the British joint chairman of the consortium.

Sir Nicholas confirmed that Lord Pennock was ready to stand down though he would not "rock the boat" by leaving quickly. "The question is to find someone who can fill a very difficult, responsible, dynamic job in a short space of time so that we can make the project plausible in time to raise the money," he said.

Sir Nicholas said Sir Nigel Broackes, chairman of Trafalgar House, and the initial favourite to succeed Lord Pennock, would be unacceptable because his appointment would upset the balance of the board.

Mr. Robin Lee Pemberton, Governor of the Bank of England is believed to have wanted Sir Nigel to to take over from Lord Pennock, but the suggestion is understood to have been opposed within both Eurotunnel and Trafalgar House.

Sir Nicholas said Eurotunnel's problems " arise from the need to give our organisation an image which will ensure that the money required is raised in midsummer.

"The truth is that for some time we have not given an adequate image, and therefore there has to be change at the top of our organisation."

"Either those there have to agree to work full time, or if they cannot work full time, new people have to be brought in."

Sir Nicholas said the project was " a long way down the track."But he added:"What we have got to do is to remove the doubts at the very top about the devotion of time to it."

Andrew Taylor writes: There has been serious concern at the Bank of England and in Whitehall over the way in which the British side of the project is being run.

Officials fear that Eurotunnel's plans to raise £750m this summer could fail if the consortium's management does not take a stronger grip on the project.

The Bank's role as a powerful and influential godfather to the private-sector project became apparent last October when Eurotunnel was going through another crisis.

Eurotunnel's plans to raise £206m in an international share placing were in danger of foundering until the Bank intervened with a few well chosen phone calls to British investment institutions to say that it would not be good for the City of London's image if the issue failed.

There are two real fears. One is that this summer's crucial share issue could run into problems if Eurotunnel failed to win the City's confidence in its ability to deliver.

The other is that the French, with their greater experience and expertise in this kind of venture, could end up dominating the project with possible repercussions for British industry's chances of winning lucrative orders

Top executives aware of fraud on metal trader, says judge

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

TOP EXECUTIVES in a New York company knew that employees of its *London-based subsidiary* were assisting in a fraud against a Swiss metal trader, a High Court judge in London has held.

Mr Justice Hobhouse said that Metall und Rohstoff, of Zug, part of the *Associated Metals and Minerals* Corporation group (Asoma), had been defrauded by the head of its aluminium department, Mr Rainer Glaser, who was described by the judge as "a flawed genius."

The fraud involved accounts held by ACLI Metals (London) – AML – a subsidiary of ACLI International, of New York, and at the time a ring-dealing member of the London Metal Exchange. AML and ACLI are *part of the Donaldson Lufkin and* Jenrette multinational.

Mr Glaser, who has since left Metall, had traded on the accounts without Metall's authority; profits that could and should have gone to Metall had gone to private account holders while *Metall had* been made liable for losses.

AML had had "guilty knowledge" of the fraud and at some stage the president and two vice-presidents of ACLI had learnt of it, the judge *said. He rejected AML's contention* that Metall had been responsible for the accounts and held that AML had wrongfully repudiated its contracts with Metall.

He awarded Metall a total of *about £36m, due under a contractu*al debt and for metal held as security by AML and rejected an allegation that Metall and Asoma had conspired to defraud AML and ACLI.

*The judge said that AML employ*ees authorised to handle transactions with Mr Glaser, and who had known what he was doing, had included Mr William Boyes, head of AML's brokerage team and *de facto* managing director, and Mr Chris Smith, a member of the team.

Mr Julian Grazebrook, an AML director, had had "the same guilty knowledge and involvement" as Mr Boyes and Mr Smith. By February 1983, at the latest, the judge said, three top executives of ACLI International also must have known. They were Mr Jay Huffard, president and chief executive, Mr Michael Huber a senior vice president, and Mr Robert Oddy, the junior vice president.

The 242-page judgment said that in late 1982 Metall had held large open positions in aluminium, leaving it with exposure of between £17m and £22m, covered by securities held by AML in the form of metal valued at about £40m.

AML also had on its books other miscellaneous accounts.

THE ARTS

Stravinsky/Barbican Hall

Andrew Clements

Stravinksy plus Debussy was Sunday's formula; the London Symphony Orchestra's survey under Rozhdestvensky has reached the year 1913 and *The Rite of Spring* was prefaced by a performance of the complete orchestral *Images*. It is one of the series most happy conjunctions, for of all his fellow modernists it was Debussy who left the deepest impression upon Stravinsky's creative make up.

It was not, however, one of the happiest of recent LSO occasions. The form that the orchestra had found for Abbado in Mahler's Ninth Symphony two weeks ago and preserved partially for the opening of the Stravinsky festival, had begun to ebb away by the time of the second concert and finally disappeared altogether in this *Rite of Spring*.

Rozhdestvensky can conjure some truly primeval sound scapes in this work, heighten its colours, charge the rhythms with irresistible energy. There were hints of that approach now and again, voicings that gave a new perspective to music one knows well, but no more than the haziest impression survived the LSO's approximation to the score, which strewed wrong entries and slipshod ensemble liberally through the piece. At one point in the "Adoration of the Earth" ensemble threatened to disintegrate altogether, and even the quality of the woodwind solos (normally to be relied upon if all else fails) was sub-standard.

The *Images* had been a good deal better—everything was more or less in the right place. Rozhdestvensky responded most convincingly to the *Iberia* triptych, neat swatches of colour tellingly applied, and less idiomatically to its flanking movements. The clarity with which the details of *Gigues* were assembled thoroughly demystified what can be a magical opening: no hint of "impressionism" here, nor of nostalgic melancholy either.

Sine Nomine Quartet

David Murray

Though their silly name isn't a recommendation, this young Swiss quartet made a creditable impression on Saturday. Filling in for the Alban Berg Quartet (whose cellist is unwell), they found themselves inheriting the large audience who expected to hear the senior team. If they have neither the maturity nor the polish of the Alban Bergs yet, they boast serious promise—they won the Evian International Competition—as well as a good, homogeneous sound, and the range and confidence to tackle Haydn, Schubert and Debussy. The audience at the Wigmore Hall was not disappointed.

Their Haydn prompted no special comment. It was the unconventionally-shaped C major Quartet from op. 54, one of the sets composed for the violinist Johann Tost, which is sparing of solo opportunities for the other players. They sounded well-tuned and well-practised, appreciative but shy of pressing any individual treatment. A somewhat unrelenting pulse left little room to make structural points register. The leader's warm line, occasionally effusive, had its attractions.

Many of the intricacies of Debussy's Quartet were neatly handled, a few just provisionally sketched. The Sine Nomine tempi were virtuous (no moony indulgence in the Andantino), the pulse again rather too strict: there are a lot of striking *events* in this score, and they bloom better if not hustled along so firmly. The opening "Animé et très décidé" wanted more first-beat thrust, and better articulated triplets would have helped in many places; the cellist, however, offered a delectably neat *pizzicato* in the Scherzo and elsewhere. The general effect was honest and appealing, and sharper details will come with time.

They sounded most in command of their Schubert, the "Death and the Maiden" Quartet. Perhaps by then they had warmed up, or settled down; in any case their address took on a new breadth, and a bolder dynamic scale. The musical drama got full value; viola and cello both rose to their occasions with lyrical conviction. The Sine Nomine does, after all, have a personality of its own, and it should be a pleasure to hear it develop.

Pauline Oliveros/The Place

Max Loppert

At The Place this weekend a three-day schedule of events focused itself on *Women in Music — The Hidden Sounds*. Concerts included an evening with Pauline Oliveros (British performing debut) and a programme of music by British and Danish women composers; there were talks, films, and discussion groups. It is a sad comment on the main musical hierarchies in particular (and, surely, the world in general) that such series are still felt to fill a need — for gender cannot be said to count as a useful factor of identification or distinction in the sphere of composition. (Why, incidentally, was the "Rhythm and Percussion workshop" by Ova on Saturday afternoon restricted to women? *What can they have got up to?*)

The combination of the well-meaning and the meaningless to which the series appeared to be devoted certainly found a suitable starting point in the Oliveros concert on Friday evening. Oliveros, a renowned veteran of various West Coast musical happenings of a '60-ish nature (such as the improvisational group Sonics), has in the past few years developed a special US reputation as an accordian performer of her own compositions. She was for some years a leading light of electronic-music study at San Diego, and tape-delay techniques extend the range (and, probably the length) of what at root seem to be extremely simpla pieces.

The first of these was *Rattlesnake Mountain*, a modal meditation over a drone to which the player eventually adds a line of vocal humming—a mild mood piece that might have provided a pleasant background to reverie if it had lasted only five minutes, but began to seem overstretched at 15. *Mutatis mutandis*, the same could be said of *The Roots of the Moment*, "a meditative journey based on composing, performing and simultaneously listening and responding to information from imagination, memory and the total environment."

After half an hour of Oliveros' militant musical mildness, I decided that, faced with such barren compositional and performing techniques stretched out to such unrealistic lengths, the listener was being required to share an act of faith with the composer-performer. I was plainly proving incapable of doing so, and the interval was therefore a wise time to depart.

The British Museum/William Packer

Draw from a cultural lucky dip

The British Museum has lately published its *User's Guide* to the Department of Prints and Drawings, and that is exactly what it is, no more and no less. Antony Griffiths, the Deputy Keeper, and *Reginald Williams, sometime* Senior Research Assistant in the Department, have put together a working handbook that is clear, unfussy and admirably to the point under its many headings. The £10 it costs may seem a lot for a small book of some 190 pages with no pictures and an unprepossessing if sturdy appearance, but any prospective user will soon persuade himself otherwise. The need declares itself readily enough, as the authors remark with a disarming frankness in their preface: "Since the Department now contains at least two million pieces of paper, and since there is no single catalogue or index which lists the entire collection, it is often a difficult task to locate any individual item."

The book begins with a brief history of the Print Rooms of the British Museum, which were first established as a separate department in 1808. There follow general accounts of the scope and arangement of the collection and its inventories, registers and indices. The distinct collections of Drawings and Prints and the Departmental Library are each treated to further more detailed description under particular headings of national school and period, medium and character, giving how many boxes and portfolios there are for each, and what catalogues have been published.

"Sarah Bernhardt as Hamlet" by Alfred John-Rethel

The second and larger part of the book is taken up by the *Topic Index*. This is a single alphabetical sequence of entries that falls within any of four general categories: the more famous or, at least, more-consulted *artists*; particular or important *donors*; *types* of medium, material or technique; and last, an arbitrary and wonderfully captivating miscellany of *subjects*, that might be anything from cabbages to kings or, as is the case, from Altered Plates to Yachting.

Taking the publication of the guide as its reasonable excuse, the Department has mounted its current exhibition to draw attention to this extraordinary cultural, aesthetic and historical lucky dip. *An A-Z of the Prints and Drawings Collection* fills the easy-browse-and-lean-upon cases of the Department's gallery (until May 25) with a selection and sample of the various riches and delights the collection affords. Each visitor to his own interest, for this is no occasion for solid, too earnest application. Why, for example, should one's delight in *Skating* presuppose an abiding fascination for *Forgeries*, or *Caricature & Satire* for *Sir Christopher Wren*? To scan, select and move on is the essence of such fun as this exhibition supplies.

But above all the fun is in keeping the eye alive to chance encounters, and the mind alive to fresh insight, interest and connection. Those skaters at the Hague in 1621 are the King of Bohemia and his Queen—that is to say Elizabeth, the Winter Queen, sister of King Charles I, grand-daughter of Mary Queen of Scots, and direct ancestor through the Hanoverians of our present Queen. The etching is by Avercamp, some 20 years the senior of Rembrandt, whose etching of a landscape, circa 1650, is here compared to Benjamin Widson's 18th century forgery.

Thus does one thing lead to another. Alongside the Wilson and the Rembrandt sit Samuel Palmer with his sincerest flatterer, Tom Keating, the one with a cornfield, the other a church and cottage, both by moonlight. The Keating lacks the weight and density of image, and the intensity of feeling of its exemplar, but has qualities of its own of panache and charm. It is a sad fate to be admitted to a great collection not for what one is as an artist but for what one is not.

There are many wonderful things to be discovered here, not so much out of context but unexpected, and afresh. Some are great works by great artists, such as the ink and wash view of a close wooded landscape by Claude Lorraine in the section given to *Richard Payne Knight*, the great collector and connoisseur. We look up Claude in the guide to find that the Department holds the largest collection of his drawings in the world, 323 in all of which 273 were bequeathed by Knight in 1824.

We come upon Rembrandt again in the final section on *Zoology and Natural History* with his drawing of an elephant done so lightly and quickly and yet so monumental. The collection of his drawings here, the book tells us, is one of the best balanced in existence and that of his etchings perhaps the best there is. With the elephant are two exquisite studies by John Constable — a mouse with a piece of cheese, and two moorhens — and powerfully bizarre Victorian water-colour of Crocodiles on the Ganges by William Simpson. *Thomas Berwick*, with his water-colours and wood-engravings of British Birds, inevitably has a section to himself, as does the extraordinary *Jhon White*, active circa 1590, who made some of the earliest studies of the natives and fauna of North America. George Stubbs makes but a guest appearance, in the collection of Sir Joseph Banks, with six tiny studies of lemurs.

Great works by great artists, great things by the more modest or obscure, interesting, odd and unusual things, ephemera, odds and ends — my own list must be *as arbitrary as the Museum's:* Owen Jones's splendid sweeping image of the Crystal Palace in Hyde Park; Heath Robinson dispensing with servants in the dining-room; Sarah Bernhardt as Hamlet by Alfred Sohn-Rethal.

There is no hierarchy of importance or interest here, and repeatedly it is the more ephemeral material that is, for the moment, the more fascinating. There are Jacobean broadsheets, Georgian popular prints, Regency satires, fans, early fashion plates, old drawing manuals, and works by noted amateurs, among them Queen Victoria and Louis XIV of France. Most intriguing of all, perhaps, are the most fleeting things, that but for idiosyncratic obsession or opportunity would have vanished forever. Here is a case of bookplates, there is a display of playing cards, including a spectacular German taroc set of the late 17th century. Here are Victorian Valentine Cards, Christmas Cards, Visiting Cards, Admission Tickets of most wonderful decorative invention. There is even a case full of early trade and business cards, including perhaps the prettiest—and certainly the most intriguing of them all—for Mrs Masquier's Boarding School, engraved in London in 1782. "Parents and Guardians may depend upon the utmost care taken of the Young Ladies morals and manners, and of particular tenderness shown to their persons."

The Beethoven Experience

Max Loppert

This weekend the Elizabeth Hall played host to *The Beethoven Experience*, three days of Beethoven-directed events led by Roger Norrington and the London Classical Players, and culminating on Sunday afternoon in a concert of the Eighth and Ninth Symphonies. The inspiration for the series (which followed the Haydn one in 1984) sprang from Norrington's desire to share with an audience the "research processes" that proceed all his performances. Talks on style and substance, related concerts, and a concluding *opportunity to waltz* in the foyer made up the schedule; the audience was large, enthusiastic, and high-spirited; a sense of occasion had been returned to Beethoven.

This last was palpable even to someone like myself, who joined the proceedings for the final concert only. It was not the first time period style and performing practices have made their mark on these works; even Norrington's scrupulous care over precise metronome-mark observance is not exactly a novelty (Toscanini, for one, was in this way no less "authentic" a conductor). The special feeling of the concert came rather from the shared sense of adventure between players and listeners, and the nakedly clear and direct quality of sound in which the experience was formulated.

The Eighth was an unbounded pleasure. It was not just enjoyable because of the bright, forward instrumental timbres—though the correct disposition of instruments (violins placed "antiphonally," lower string voices in the *middle*) did mean that an uncommon sharpness of woodwind profile was obtained without the usual symphony-orchestra doublings. But the incisiveness of musical cut and characterisation went far beyond mere historical "correctness." The joyous fleet patter of the Allegretto and the rhythmic exactitude of the finale made those movements seem particularly fresh.

By contrast the Ninth, which should have come as the peak of the series, was a faint but persistent disappointment. The reason was partly technical: wind tuning was beginning to *falter*, and the oboes in particular caused more than their fair share of unwelcome intrusions. But I don't think it's simply *arrière-garde* romanticism that made me regret the conductor's rigidity of tempo (and his stiffness with Beethoven's *ritardando* instructions); forcing the bass soloist (Petteri Salomaa) to gabble his opening recitative is surely an interpretative nonsense.

The sound of the performance was still exultantly bright (excellent Schütz Choir in the finale), the balance natural. But in a strange, paradoxical way, the sense of overwhelming surprise that the Choral Symphony can still occasion seemed to be "researched" out of existence.

Platform and Fringe theatre

Martin Hoyle

Neither establishment theatre nor well-heeled fringe is forgetful of its duty in reminding us of current ills. In the National Theatre's Lyttelton, at some 6 pm platform performances, Graeme Henderson takes time off from the cheerfully protracted adolescence of privileged Cis in *The Magistrate* to embody a Scouse arsonist who may be criminally insane and certainly has a Liverpudlian sense of humour.

The fine line between these two distressing social handicaps is probed by a psychiatrist. In *Bright Spark*, John P. Michelsen's short two-hander, the interlocutor becomes in turn a bullying schoolmaster, a brutal policeman and the boy's drunken father. Young Mr Henderson alternates snarling aggro and irrepressible quippishness with immense energy; Decima Francis directs on the (original) platform, deploying a few sticks of furniture and representing the judiciary with an almost African totemic doll.

★

At the Riverside Studios in Hammersmith the company Monstrous Regiment utters even grimmer warnings on a broader scale, thereby losing some immediacy. Beware analogies with Greek myths. They usually portend the portentous. *Alarms* by the American Susan Yankowitz depicts a woman doctor called Cassandra (right?) fighting a lone battle to highlight the dangers of radio-active fall-out. One even detects a dash of Wendy Savage in her crusading zeal against authority (here expediency, vested interests, the state) portrayed as male, bowler-hatted and brolly-wielding, while one of the four players is cast as "all women."

Aspirant Fine Writing deprives the evening (not much longer than the platform piece, but spun out with an interval) of urgency. Both male domination and the slinky female *agente provocateuse* aim at stylisation but end up as caricature. Delivery of the lines tends to the earnest school of humourless intoning, but the piece is intelligent and committed. Penny Cherns directs against a striking background of skeletal silver scaffolding complete with jars containing dead babies and a metal orrery. Mary McCusker and Tim Gatti lead a slightly over-enunciating cast in an allegory that comfortably distances us from the theme when it should be rubbing our noses in it.

Graeme Henderson in "Bright Spark"

The Saarbrücken Film Festival

Ronald Holloway

The eighth annual "Max-Ophuls-Prize" film competition in Saarbrücken last month showed yet again what a haven it has become for new-generation German-language *directors*.

For the third time in four years, the first prize winner is a woman director: Verena Rudolph, a successful stage-and-screen actress who changed course and graduated recently from the Berlin Film Academy (DFFB). Her *Francesca* is a spirited, fantastic journey from a Bavarian convent to the south of Italy on the traces of a mystic and artist named Francesca Aramonte. This is the kind of treatise that Benedetto Croce would have loved to toy with, for the heart of the matter is scholasticism and a devotion to beauty. Francesca doesn't exist, yet everyone we meet — the nuns in a convent, the extras in a Fellini family, a witch on a barren roadside — all talks about her as someone very familiar and close to their hearts. The subject, at its roots, is the decline of bourgeois Western civilisation, just as her earlier film, *Lucy* (1984), shot in Harlem, amusingly dissected the myth of the American Dream. Rudolph, who favours a free-wheeling structure in her shooting method, is a real hope in German cinema.

The runner-up at Saarbrücken, Karl-Heinz Lotz's *Young People in the City* (German Democratic Republic), introduced another remarkable talent making his second feature film at the DEFA Studios. Seldom has the milieu of Berlin in the Roaring Twenties been captured with such attention to detail: the city itself lives and breathes from the first to the last shot. It is based on a rediscovered novel by *Rudolf Braune* (1907-32), who died in a tragic swimming accident shortly after publishing the story. It describes the agonies of the proletariat (unemployment, hunger, exploitation, prostitution) in Berlin of 1929, sketched in the fate of four young people driven by events around them up a blind alley of despair — Walter Ruttmann's *Symphony of a Great City* in human terms.

With 30 films in competition and 67 listed altogether in various sections, Saarbrücken has leaped from a homey affair for insiders to a key German-language event requiring four venues running nonstop for six days. On the thematic side, a trend towards defending the rights of the exile and the foreign worker (*Gastarbeiter*) stood out as a core problem in both Switzerland and West Germany. For the most part, these films were admirable in telling a story rather than beating a drum.

Saleroom/Antony Thorncroft

Action off-stage

All the action in the London salerooms seems to be taking place these days outside the auction room. Two directors of Christies, Christopher Elwes, who headed its South Kensington operation, and Paul Whitfield, who most recently had been in charge of marketing, have offed and gone to Bonhams, by far the smallest of the London "Big Four" and long rumoured to be up for sale.

Of course the acquisition of two such "heavies" makes Bonhams, still family controlled, a more desirable takeover proposition, but also increases its chances of going it alone, carving a niche for itself as a "local" auction house, responsive to the needs of the average buyer and seller rather than the super rich.

Another alternative is for Bonhams, with a strengthened management team, to go public later in the year. Its profits record may not have been tremendous in recent years but it sits on a very valuable Montpelier Street freehold, and has tremendous good will among the more traditional dealers and saleroom customers.

Meanwhile the New York sales season is in full swing. Sotheby's sold watches and clocks there last week-end for just over 1m, with 11 per cent unsold, while Christie's held a general auction of decorative furnishings which totalled £783,401 with 5 per cent bought in.

The highlight at Sotheby's was the record price of £41,772 paid by an Italian collector for a gold chronograph wrist-watch. It was made around 1946 by Patek Phillips. The top price was the £111,392 paid by a private New York colector for an exceptional large gold open face Tourbillon minute repeating chronograph made by Dent of Cockspur Street, London, in 1901.

There were two "records" way down the price list—the $18,700 paid for an asymetrical wristwatch, made in pink gold by Patek Phillipe around 1937, and the $9,900 for a Rolex wristwatch made of stainless steel (rather than gold), a work of 1935.

The Christie's auction showed the current strength of the interior decorating market. Designers for the rich have become a powerful saleroom force, and are particularly active in revitalising the carpet market. It was no surprise that the top price was the £19,066, around three times the forecast, paid for an Aubusson carpet.

It came from the collection of Mrs Clare Boothe Luce and was only remarkable for being 20th, rather than the more desirable 18th or 19th century.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 6–12

Opera and Ballet

LONDON

Royal Opera, Covent Garden: the new production of Norma by John Copley offers Bellini's awesome title role to Margaret Price. John Pritchard conducts, and Alicia Nafé, Giuseppe Giacomini and Gwynne Howell are the other principals. Last performance of the current Rosenkavalier revival, with Felicity Lott, Ann Murray, Hans Sotin and Barbara Bonney, conducted by Bernard Haitink (240 1066).

English National Opera, Coliseum: Gounod's Faust, one of the brightest ENO successes of recent seasons, comes back with substantially the same roster – Jacques Delacôte as conductor, Arthur Davies and Helen Field as Faust and Marguerite but a new Mephistopheles in the Danish Ulrik Cold. Further performances of the new Tosca, set by Jonathan Miller in the last phases of Mussolini's Fascist regime, with Josephine Barstow in the title role; last of the Queen of Spades revival, a "partial" but poetic vision, with an unforgettable Countess from Sarah Walker (836 3161).

Royal Opera House, Covent Garden: The Royal Ballet in The Sleeping Beauty.

VIENNA

Staatsoper: *Rigoletto* conducted by Boncompagni with Devia, Sasaki, Hintermeier; Die Tote Stadt conducted by Hollreiser with Armstrong, Gonda, Denning, Hintermeier, King; Der Rosenkavalier conducted by Wallberg with Popp, Lipovsek; La Traviata conducted by Saccani with Gruberova (51 444/2655).

Volksoper: Hänsel und Gretel conducted by Bernet; Der Bettelstudent conducted by Bauer-Theussl; Der Vogelhändler conducted by Artmueller (51 444/2857).

WEST GERMANY

Berlin, Deutsche Oper: Tannhäuser stars Gundula Janowitz, Janis Martin, Harald Stamm and Spas Wenkoff. Zar und Zimmermann is a well done repertoire performance. Otello has fine interpretations by Pilar Lorengar, Franco Bonisolli, George Fortune and *David Griffith*. Also Der Barbier von Sevilla and Die lustigen Weiber von Windsor.

Hamburg, Staatsoper: Der fliegende Holländer features Lisbeth Balslev, Theo Adam, Horst Laubenthal and Kurt Moll. Zemlinsky's rarely played Eine Florentinische Tragodie Der Geburtstag der Infantin has Inga Nielsen, Elisabeth Steiner, Kenneth Riegel und Victor Braun in the main parts. Manon Lescaut has Natalie Troitskaya, Rachel Joselson and Tom Kruse. Don Carlos brings Linda Plech, Giuliano Cinnella and Kurt Moll together.

Frankfurt, Opera: Aida, conducted by Michael Gielen has Awilda Verdejo brilliant in the title role. Le Nozze di Figaro is a new production by Jürgen Gosch. The cast includes Hildegard Heichele, Nan Christie, Anny Schlemm, Marianne Rorholm, Wolfgang Schöne and Tom Fox. Louis Quilico is repeating his much praised performance in the title role in Falstaff. Der Freischütz has a particularly strong cast with Helena Doese, Barbara Bonney and Walter Raffeiner.

Cologne, Opera: This week's highlight is Elektra with Gwyneth Jones outstanding in the title role, and Helga Dernesch, Nadine Secunde and Harald Stamm singing other leading parts.

Stuttgart, Württembergisches Staatstheater: Cav and Pag features Waltraut Meier, Julia Conwell, Carlo Cossutta and *Raymond Wolansky*. Otello is well cast with Julia Varady, Bernd Weikl and Roland Bracht. Der Liebestrank rounds off the week.

PARIS

Roland Petit and Ballet National de Marseille present The Blue Angel at the Palais des Sports, Porte de Versailles (4828 4010).

ATYS followed by the Paul Taylor Dance Company with Roses to Wagner, Last Look to Donald York, A Musical Offering to Bach. Opéra Comique, Salle Favart. (4296 0611).

NEW YORK

Metropolitan Opera (Opera House): The week features the premiere of Manon conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano, Neil Shicoff, David Holloway and Spiro Malas. It joins the repertory of La Clemenza di Tito conducted by James Levine in Jean-Pierre Ponnelle's production with Carol Vaness, Gail Robinson, Tatiana Troyanos, David Rendall and Julien Robbins; and Tannhäuser conducted by James Levine in Otto Schenk's production with Jessye Norman, Eva Randova, Richard Cassilly and Jan-Hendrick Rootering. Lincoln Center (362 6000).

New York City Ballet (New York State Theater): The company's 85th season continues with mixed programmes including Jerome Robbins' Moves and Paul Mejia's New Ballet No 2. Lincoln Center (870 5570).

International Festival (City Center): Ballet Rambert performs eight new works, including pieces by Michael Clark, Christopher Bruce, Ashley Page and Richard Alston, in a week of mixed programmes. 55th E. of 7th Av. (246 8989).

Twyla Tharp Dance (Brooklyn Academy of Music): Two premieres, Ballare performed to Mozart and In the Upper Room with music by Philip Glass mark the week-long mixed programme of Ms Tharp's choreography and dance direction. Ends March 1. (212) 944 9300.

WASHINGTON

Washington Opera (Terrace): Monteverdi's Coronation of Poppea directed by Christopher Alden and conducted by Nicholas McGegan puts Nero's Rome in a contemporary big-business setting with Emily Golden, Rodney Hardesty and Will Roy. The week includes Strauss's Wiener Blut starring Sheryl Woods in Zack Brown's 1980 production Don Pasquale in a new production by Douglas Wager conducted by Cal Stewart Kellogg with Francois Loup in the title role, Pamela South as Norina and Gran Wilson as Ernesto. Kennedy Center (254 9695).

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Tuesday February 10 1987

Open market in defence

EUROPE WILL probably never have a common army, a common defence budget or a common defence procurement agency. Such institutions could only follow a degree of political unity which is difficult at present to envisage. But is a common defence market, in which it would be as natural to buy and sell military products across national boundaries as it now is most civil products, so unthinkable?

A new report commissioned by the Independent European Programme Group (IEPG)—the forum in which Nato's 13 European members discuss arms collaboration—believes a single European arms market is a realistic goal and that it can and should be forged by giving competitive market forces greater play.

This approach is wholly welcome. Enough lip service has already been paid to Europe's need to share the costs of building modern weaponry, its need to open up its fragmented and highly protected national defence markets, and its need to compete/collaborate on more equal terms with the US whose internal defence market is twice the size of the European. The Europeans, inside the IEPG, are trying to agree on common defence threats, needs, requirements and programmes, but always within the context of particular weapon systems — aircraft, tanks, guns and so on.

Central register

Even more important to creating an open, competitive European defence market, the report argues, are the general conditions on which European governments left defence contracts.

The report urges that more European collaborative arms contracts should be let on the basis of competitive fixed price tenders by rival international consortia.

It recommends that a central register of bidding opportunities be established to inform companies of tenders beyond their home base, and that all 13 IEPG countries establish a register of their defence contractors, to help companies pick foreign partners.

This would help fill the deliberate gap left in the Treaty of Rome which exempts armaments from EEC rules, and in particular from the requirement for Community-wide advertisement of major national public-sector procurement contracts.

Politics will dictate the pace of change. The IEPG report urges defence ministers to show political courage in embracing the proposed procurement changes, but it does not expect them to commit political suicide. It acknowledges the high price governments place on maintaining domestic jobs and technology, though it feels governments should look for "a fair return" from long-term collaboration, not from each and every Euro-arms project.

Mixed reaction

At present, countries like Britain and France place around 80 per cent of their defence contracts with their own industry. General tolerance of more competition from abroad is politically difficult; the defence ministry is British industry's biggest single customer. But if such tolerance could be achieved on a reciprocal European scale, it would simplify the issue of domestic competition.

A GEC-Plessey merger, for example, might be less objectionable in the context of a genuine European defence market.

Reaction to the IEPG report, which is still being studied in national capitals, will probably be mixed. Britain cannot surely object to its proclaimed gospel of procurement competition gaining continental disciples. France, too, is keener now on such competition, though practice there has yet to catch up with theory. West Germany may be ambivalent, partly because its smaller defence industry is more tied to the US.

Certainly, European arms collaboration need not, and should not, exclude the US. Indeed US companies when teamed with European ones can help provide the competitive structure that many parts of the European defence industry lack.

Take the current competition for the European Fighter Aircraft (Efa) radar contract, centred on two systems offered by Ferranti and Hughes of the US. Without Hughes, the Farranti system would have no rival. Hughes may yet lose out, because of US export controls. But that separate export control issue should not be a mask for protectionism. A greater reliance in competition would be *good for European defence* industry and its customers.

Fishing around the Falklands

IT HAS been clear for some weeks that some form of understanding lay behind the British Government's confidence that incidents with Argentina could be avoided when the 150 mile fishing conservation zone round the Falkland Islands came into force on February 1. Indeed it has been puzzling, even given the need for silent diplomacy, that the Foreign Office should have so consistently denied the intermediary role of the US when it was an open secret the US Administration was leaning hard on both sides to come to an agreement.

The Foreign Office admission that the US has been acting as a channel of communication helps to clear the air. It provides solid foundation for the hope that Argentina and Britain can deal with each other pragmatically and furthermore offers the teasing possibility of working towards a normalisation of diplomatic relations, broken as a result of the 1982 Falklands conflict.

Roughly one-third of the new Falklands fishing zone covers waters that Argentina claims for its own territorial zone, quite separate from its historic claim to sovereignty over the islands. Thus it is essential that trip-wire mechanisms be in place to ensure incidents are avoided because fishermen, no matter the nationality, are known to stray and poach. Equally it is important that there should be co-operation over fish conservation measures. The rich South Atlantic fisheries could not sustain the kind of free for all of the past four years without permanent damage.

British reluctance

This has been recognised not only by Britain and Argentina but by the international community as a whole. However, the Argentine Government was unwilling to accept the original British idea of an international regime to control fishing under the aegis of the UN Food and Agriculture Organisation because this threatened to prejudice their claim to the Falklands. The British Government itself was reluctant to make the unilateral move in declaring the fishing zone because this was likely to complicate any future talks with Argentina over the Falklands. The fishing zone has been formally called "Interim" clearly implying the British Government is willing to consider a different permanent arrangement.

Although Britain was castigated at the UN for this move and there is overwhelming diplomatic backing for Argentina, events on the ground tell a rather different story. Only the Soviet Union and Bulgaria have signed separate fishing agreements with Argentina; all the other nations previously fishing in Falklands waters, including Argentine supporters like Italy, Poland and Spain, have seen their vessels apply for and be granted licences by the Falkland Islands Government. In other words, Argentina's claim to the Falklands has not prevented commercial interests from pursuing a hard-headed course.

In this sense then Argentina's intransigent stand has come to nothing; and it seems that this has prompted a reassessment of Buenos Aires' position. For the first time the exchanges between Buenos Aires and London, even though limited to fishing, contain no mention of sovereignty.

Questionable value

The other factor affecting the Argentine position seems to have been a reassessment of the electoral prospects of Mrs Margaret Thatcher, the British Prime Minister. Mrs Thatcher has refused throughout to consider sovereignty. Her stance aborted the first and only post-war direct talks in Berne in 1985, and since then the Argentines have pinned their strategy on a change of government. With the opinion polls tending to favour Mrs Thatcher for another term, the value of such a strategy becomes questionable.

If the present fishing season can pass off without serious incident when Argentina is still nominally in a state of belligerency with Britain, it will be an important confidence-building exercise. Britain, for its part, cannot afford to be complacent because if there are incidents, they will highlight the problems of its costly commitment to the tiny Falklands community 8,000 miles from home shores and for which there is no clearly defined long term policy.

All things bright and economical

Andrew Gowers explains the background to yesterday's circular on agricultural land use

BRITAIN is heading for the biggest change in the use and appearance of its countryside since the unprecedented expansion of agriculture after the Second World War.

That much has been clear for some weeks as officials and ministers worked in secret on the bitterly contested draft circular on Alternative Land Use and the Rural Economy (Alure), which emerged yesterday.

As the Government struggles to curb spending on agriculture — still by far Britain's biggest land user — and farmers adjust to what many believe will be a prolonged decline, a host of vested interests, from conservationists to builders, has been circling round the surplus land

At bottom, the ferment stems from the unsustainable problems of the EEC's Common Agricultural Policy, and more fundamentally from the technological advances which have enabled farmers to produce increasing amounts of food

Farmers feel increasingly hemmed in. Tough measures on cereals, for example, might cause lowland farmers on some of the better land to switch to sheep. Result: an instant surplus of lamb.

Alternative crops, much vaunted as an escape route a couple of years ago, are now seen as holding little hope; although some farmers might make a living out of lupins, it would not take many to make a glut.

For the Government, the Alure circular represents a remarkable change of course. During most of the first three years of Mr Michael Jopling's tenure as Agriculture Minister, farmers' pleas for general guidance as to what the future might hold were met with a blank wall. The agriculture problems were to be solved largely by price restraint and that was that.

In the last year, there have been a number of signs of a rethink. A new emphasis on conservation was injected into agricultural policy, with the initiation of so-called "environmentally sensitive areas," in which farmers were to be rewarded for adopting less intensive methods.

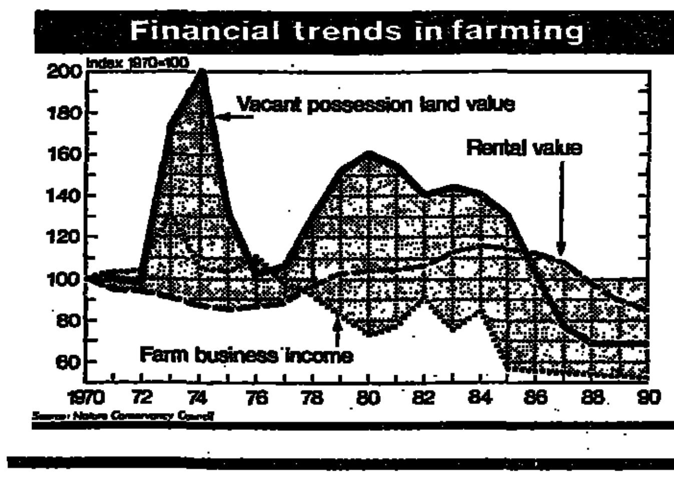
The Government now believes that up to 1m hectares could go out of production over the next 10 years. A consultants' report produced a year ago for the Nature Conservancy Council reckoned that by 1990, some 1.1m hectares would be surplus to food requirements, increasing to about 2.6m by the end of the century.

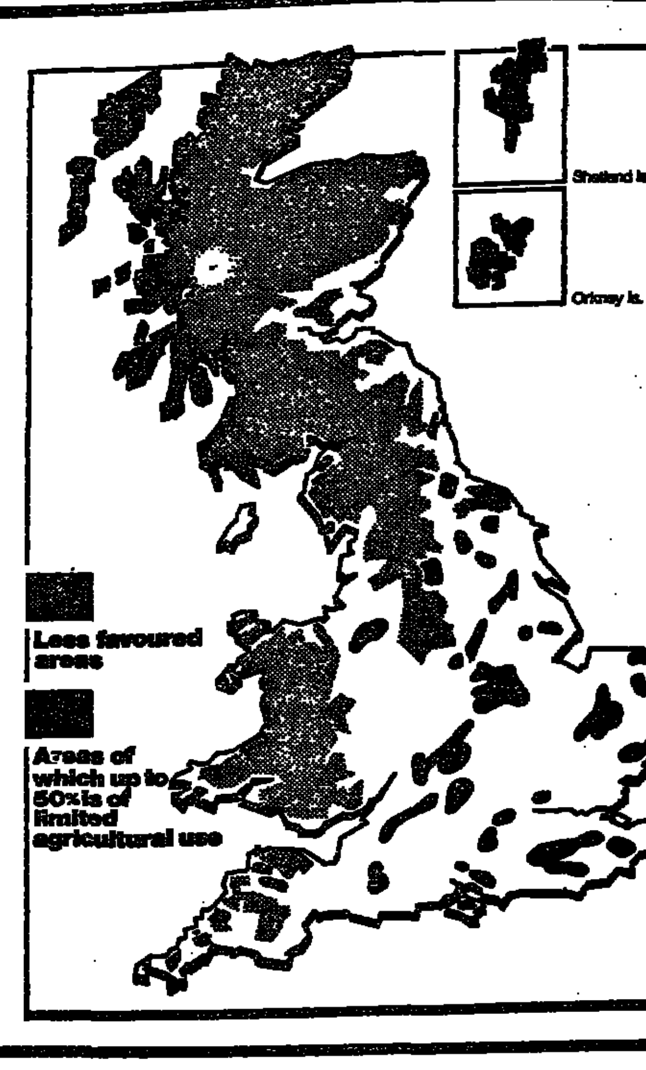
To farmers brought up with the idea that their principal mission was to expand, those figures are alarming enough. More worrying for some is the fact that, under present policies, the burden is unlikely to be evenly spread, just as the present financial squeeze is being felt to quite different degrees by farmers in different parts of the country. It is also certain to reduce land values.

Those on the best land such as much of East Anglia for cereal-growing will survive as they have done so far, by producing more. Those on marginal land, which tends to be concentrated in the west and north, will find the going ever tougher.

The picture is further complicated by the existence of substantial income support programmes for livestock farmers in the poorest upland areas the so-called Less Favoured Areas, and by the competing pressures for land close to big conurbations.

Financial trends in farming





Broadly speaking, analysts conclude that there are a number of areas where agriculture is almost certain to diminish dramatically over the next five years, and others where it will probably become more and more intensive. Examples of the former might be parts of Wales, Devon and the Scottish Highlands; of the latter, Lincolnshire and Essex.

The fact that less farmland will be needed has been seized on by lobbies which have been trying to get more land for their own purposes for years.

The construction lobby has been pushing for a wholesale relaxation of planning restrictions to free land for housing. Forestry groups want the amount of land used for commercial timber to be sharply increased, so that they are no longer forced to plant in upland areas with relatively poor soil.

Environmentalist groups such as the Council for the Protection of Rural England fear they are about to witness a rerun of the 1930s, when agricultural slump led to the gobbling up of large amounts of farmland by urban development.

"If you have got large amounts of land coming out of production, you need a strong strategic planning system to prevent a reversion to 1930s sprawl," says Mr Robin Grove-White, director of the CPRE. Groups like his want expansion of current schemes to encourage less intensive and more environmentally friendly farming.

The National Farmers Union has kept remarkably quiet on these issues, largely because it did not wish to disrupt a debate that it hoped would bear fruit in new subsidies.

NFU officials are realistic, however, about the limited capacity of government to do more than ease the pain of adjustment in farming.

Nor have the opposition parties — aware of the importance of the "green" vote — been idle. Labour produced a paper last month which suggested that government should take much more account of the broad interests of the countryside and proposed the establishment of a department of rural affairs to help redirect policy. The Alliance talks of the need to maintain less intensive small farmers and to stimulate rural economic revival.

Within the Government, debate has ranged widely over many of these areas. The Trade and Industry and Employment Departments have argued for a significant easing of planning controls to encourage industry and construction, but have been overruled on environmental and agricultural grounds.

Mr Jopling has become converted to the cause of trees on farms (as distinct from large-scale commercial forestry).

The Alure debate is unlikely to lead to swift policy changes, not least because so much of its subject matter is tied up with developments over farm policy in the EEC. Community Ministers are working, for example, on a package of socio-structural measures with a strong environmental tinge.

But none of that diminishes Alure's importance. It has come to rest on four main areas:

- Planning controls: rather than a wholesale relaxation of restrictions, the Government has abandoned the current presumption against development on all but the most productive agricultural land. This would facilitate, for example, the building of small processing plants on farms
- Forestry: the idea of subsidising timber-growing is still very alive. But it has become bound up with a much broader review of forestry policy, focusing on the economic costs and benefits of the tax allowances. Mr Nicholas Ridley, Environment Secretary, is known to be fiercely opposed to the current incentives.
- Conservation and recreation: farmers are to be encouraged to go further into the provisions of facilities for tourists, such as accommodation, pony-trekking and golf courses. More environmentally sensitive areas may be created.
- Diversification: the most interesting ideas are grants for the establishment of ancillary businesses on farms, the setting up of industry groups to advise on marketing, and an increase in the budgets of the Development Commission and the Council for Small Industries in Rural Areas, and the various Tourist Boards.

There are, however, two big questions over the Alure process. The first concerns the extent to which countryside policy should be built around the farmers themselves and aimed at easing their difficulties, or should reflect a broader range of interests.

The fact that agriculture is in the driving seat in Alure is suggestive of the answer, but Mr William Waldegrave, the "green" minister in the Environment Department, who has long harboured aspirations for greater influence in this field, is mounting a spirited defence of his corner.

The second problem concerns money. The Treasury is worried about the spending which many of the Alure schemes might entail and is determined that any cuts in EEC funding of agriculture should not automatically mean that the Treasury has to spend more.

"It would be wrong to encourage the belief that as savings are made so the current subsidies can be automatically diverted to alternative support systems or indeed that alternative economic activity in the countryside must inevitably be grant-aided," says Mr John MacGregor, Chief Secretary to the Treasury, himself a former junior farm minister.

There would, indeed, be little point to the strain of agricultural reform if it resulted in the creation of another excuse for handing out large amounts of taxpayers' money to farmers.

Jobs for Victory, but not at any price

THE GOVERNMENT, which until yesterday had followed the traditional Dig for Victory policy of keeping as much agricultural land in production as possible, is trying to square a planning circle.

By making economic activity easier on all but 17 per cent of farmland in England and Wales, it is building on a planning policy designed to nourish smaller businesses. But it cannot take off all the planning brakes because pressures to maintain the rural environment, often from urban-based organisations is stronger than ever before. Such organisations are often strong in areas where the Conservative Party could be vulnerable in an election.

To this end the Government is making clear that economic activity in the countryside is essential—Jobs for Victory—but not everywhere. Yesterday, Mr Nicholas Ridley, the Environment Secretary, was stressing the need to protect the Green Belt—the space designated around urban areas to let towns breathe — National Parks and specified Areas of Outstanding Natural Beauty from "discordant development."

These two strands: trying to remove the elements of the town and country planning system that hinder economic activity and reconciling the environmental lobby, have dogged the Government since it came to power.

It has been engaged in an attempt to make the whole planning system more flexible, starting from the premise that development should take place unless there is an overriding reason why, in the particular place in question, it should not.

This approach has led to increasing pressure from developers who have been looking hungrily at agricultural land, although the amount of land that has reverted from farm to urban use has dropped steadily over the last 20 years.

But this same approach has also put more strain on the planning system as the local authority planners have failed to respond as quickly as either the Government or developers would like. Hence an increase in the number of appeals to the Environment Department to override the decisions of local authorities.

Private sector planners say the more certain the system, the less the number of appeals. By injecting economic considerations into planning applications for rural land, it seems certain that in spite of government attempts to streamline the system, there will be more appeals rather than less.

Paul Cheeseright

Men and Matters

Golding needs a win

John Golding, the National Communications Union's general secretary, is a man who clearly believes his private life should reflect his political views.

He has a passion for horse racing. But some two weeks ago, when his union was about to start a strike against British *Telecom, Golding decided that* his own horse Magic Echo should come out in sympathy.

With a settlement to the strike approaching, Golding was naturally delighted when his trainer 'phoned in, anticipating a resumption of normal racing when his engineers resumed normal working.

Alas, the horse (which I have to advise punters is nicknamed Number Nine after its usual finishing place) had different ideas. It had thrown its rider, run into some barbed wire, and become lame.

With the BT engineers due to vote on the proposed settlement, could this be a subtle warning?

Water-tight

Like Britain, Norway suffers from a chronic shortage of jail accommodation — so acute, in fact, that the country currently has a queue of 6,000-7,000 convicted persons waiting *their "turn" to serve their* sentences.

Now, an Oslo company, Norwegian Coastels, proposes to help solve the problem. It has plans for a floating prison, built along the lines of an offshore hotel platform, and able to handle up to 60 remand prisoners. Instead of resting on a platform, the prison would be placed aboard a giant barge, anchored in the Oslo fjord. Its windows would not need bars; they would be made of unbreakable glass. A four-storey construction is envisaged, with one storey devoted to leisure facilities, such as a football pitch.

The company's managing director, Finn Selmer-Olsen, has already had several meetings with the authorities about the scheme. He claims a floating prison would cost just over half the price of an onshore facility of the same size, and would take only seven to eight months to build. He has been in touch with Norwegian yards able and willing to build up to three units simultaneously. The current oil industry slump has left many yards with considerable unemployed capacity.

The head of east Norway's prison district, Odd Solheim, says that, from a professional standpoint, there is no reason why a prison should be on terra firma. And other senior officials have described the "floater" concept as "not uninteresting."

Old days

Nobody would expect much regard for tradition from the leading lights of the Euromarkets in their new roles as key officials of the Stock Exchange. But their arrival has forced one practical change that reasserts tradition.

Following the merger with Isro, a grouping of international firms, the Stock Exchange council has opted to meet on Mondays instead of Tuesdays.

Because the exchange's function has been divided into two — regulation and operation of the markets — there are now two meetings. The supervisory Securities Association meets before lunch under the chairmanship of Andrew Large. After a modest crust, Sir Nicholas Goodison convenes the council of the exchange. The two councils have a few overlapping members.

Monday meetings of the council, formerly the committee for general purposes, had been the rule from 1948 to 1973. But meetings were switched to Tuesday on the merger of the provincial exchanges with London's.

In those more leisurely days, it was presumably thought convenient for the new "country" members of the council to travel to London on Mondays. Today's global traders, who find kudos in being in London one day, Tokyo the next, and New York the day after, without showing signs of wear, cannot be seen to make such concessions to themselves.

"I'll believe that when the government denies it"

Splashing out

Dr John Randall, the beleagured chairman of Avana Group, has already shown that, in the right circumstances, he is prepared to bend his stringent rules about spending on corporate "extras."

Last Friday the penny-watching Cardiff food-maker hired its first merchant bankers, calling in County Bank to assist with resistance to Ranks Hovis McDougall's unwelcome attentions. The NatWest subsidiary has lately been one of Avana's stauncher fans in a somewhat disenchanted City community.

Confronted by the forces behind Mothers Pride and Mr Kipling, Randall clearly needs all the help he can get to protect his cakes, pies and chocolate empire.

He is now even considering splashing out on hiring a professional public relations company to help buff up his, and Avana's, image. "We're not very good at that, are we?" he said, with masterly understatement. At present, Avana's budget does not run even to a tame, in-house PR person.

Job number one should be a quick wash and brush up for internal communications. A colleague, trying to track down Randall one evening last week, asked a luckless overtime worker if he might contact the chairman and ask him to call the FT.

"I don't have his phone number," came the reply. "I'm management and I don't even know where he lives."

Stone age

A marble carving of the dreaded foot-and-mouth disease virus, weighing one tonne, will grace the front entrance of Sumitomo's new biotechnology plant in Japan when it is officially opened later this month.

It is a gift from the Wellcome Foundation. As Bill Castell, chief executive of Wellcome Biotechnology, sees it, the sculpting will give Europe a permanent and unmistakable presence in this Japanese venture.

Guests will see a model of a virus in which Wellcome has specialised, thus pioneering techniques for the large-scale culture of FMD vaccines.

Wellcome then adapted this biotechnology for large-scale manufacture of interferon. Sumitomo has just been awarded the first product licences given to anyone for interferon in Japan, for the use of the Wellcome brand, Wellferon to treat certain cancers.

Observer

Letters to the Editor

The proposals for the regulation of auditors

From Mr B. Jenkins

Sir,—In your editorial "Independence of the auditors" (February 6) you state that the accountancy profession has adopted a "minimalist approach" to the Government's proposals for regulation of auditors.

Coopers & Lybrand urges a much broader review of the whole audit arena. What the auditor does and contributes has long outstripped the narrow legal definition of the audit. We believe that much more of value can be derived from the auditor's work — in relation to combating fraud and reporting on financial management and business systems — and that ways of achieving this should be examined. Over emphasis on regulation is likely to inhibit this positive development of the auditor's contribution.

Coopers & Lybrand believes that if public concern exists it can be tackled in a much more constructive way than through crude restrictions and regulations. There is substantial scope for developing the role of audit committees and non-executive directors. Coopers & Lybrand also proposes that an Audit Review Board should be set up—with significant lay membership and a lay chairman — to oversee the affairs of auditors and to report directly to the Secretary of State and the public. We also propose a system of practice inspection to demonstrate that auditors continue to meet the high standards that the profession stands for.

We believe these positive developments will assist the profession to meet the growing expectations of its clients and the public in the future. Over emphasis on regulation, with forced rotation and restrictions on the scope of services that auditors can offer, would hinder rather than help constructive progress.

B. G. Jenkins,
(Head of the Audit Practice),
Coopers & Lybrand,
Plumtree Court, EC4.

From Mr W. King

Sir, — Questions concerning independence of auditors from management consultancy, who should appoint them, and the length of their appointment arise largely from the fear that there may be too cosy a relationship between them and management of the company audited.

The audit committee proposal may not go far enough. The audit committee will still be a part of the Board of Directors of the company concerned.

An alternative is to create a separate board or committee, appointed by shareholders and creditors, consisting of individuals independent of management of the company and accountancy interests. This committee would take charge of arrangements with auditors, albeit that shareholders would have the ultimate decision on reappointment as at present. The costs of the committee and, of course, of the audit would continue to fall on the company. Fees approved by shareholders would be payable to members of the committee.

W. L. King,
10, Norwich Street EC4.

Loony council debts

From Councillor R. Heseltine

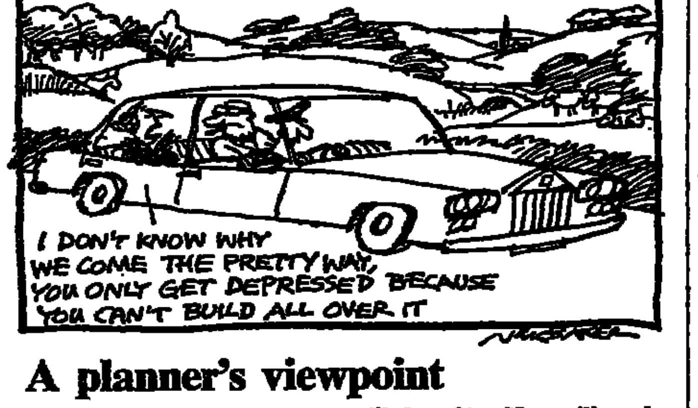
Sir,—Richard Evans' report (February 5) confirming the Shadow Cabinet's hard-line approach to paying off the massive debts being piled up by "loony-left" councils highlights the increasingly urgent question of how exactly this particular debt crisis is going to be resolved.

For example, Islington Council (of which I have the doubtful privilege of being an Alliance opposition member) now has debts of around £1bn, including deferred purchase and leasing obligations. This amounts to getting on for £10,000 for each of Islington's 120,000 voters and at today's rate of interest of 11 per cent the underlying cost of servicing these debts is around £110m or approximately £1,000 per voter per annum.

The seriousness of this debt treadmill can be further illustrated by the fact that the annual interest burden of £110m exceeds by some considerable margin the £65m annual cost of employing our 7,000 staff and I can assure you that we do not stint ourselves on staff.

So how are we going to begin to clean up this financial mess? With the Islington Labour majority on the council committed to a 25 per cent increase in staff numbers and the Conservative Government imposing sizeable rate cuts, thereby perversely shielding the Islington electorate from the financial consequences of the council's big-spending policies, it would at least be a start if the parties principally concerned just began to face up to the reality of the problem. Is it too much to hope that the recent excellent and timely Audit Commission report, "The management of London's authorities: preventing the breakdown of services," will give rise to constructive discussions between the warring factions in Whitehall and the Town Halls or are we going to have to put up with a dialogue of the deaf until the money finally runs out?

(Cllr) Richard Heseltine.
29 Gibson Square, N1.



A planner's viewpoint

From the President, County Planning Officers' Society.

Sir, — John Cherrington (January 20) quotes "a planning officer I met recently" as saying that planning consent was difficult because of "democracy."

I fear Mr Cherrington talked to the wrong planners. The reason why development is not permitted all over the countryside is because strategic as well as local planning policy is designed to prevent it, in the interests of the community as a whole. I see nothing wrong in that nor in democratic processes being used to implement those policies.

There is a case for a few more houses and some small-scale industry in some villages, but I doubt whether many farmers will benefit. Nor will a few more houses in a village save the local shop or the local school, as a recent research paper produced by Hampshire has demonstrated.

Nor do I believe that to make land available for "idyllic country cottages" will reduce the price of housing land in or on the edges of major urban areas — where they are needed. It is the big builders who set the price of land, by competition between each other.

I do hope therefore that the difficulties of some farmers are not made the excuse for abandoning the planning policies which have kept our countryside the envy of other nations.

Roger Brown.
Hampshire County Council,
The Castle,
Winchester

Investment and unit trusts

From Mr P. Chappell

Sir,—Christine Stopp's article (February 7) on performance comparisons between investment and unit trusts was certainly not heretical, as she almost suggests, since investment trusts are happy to stand comparison, not only with unit trusts but also with all other forms of savings media. What is still lacking is an industry-wide system of performance measurement, which takes into account all the costs, sometimes hidden, such as commissions, pension fund charges or penalties for early surrender, which affect the return from other forms of savings. But her article also misses some mportant statistics.

Since there are now over 1000 unit trusts and only about 200 investment trusts, it is hardly surprising that there will be a few unit trusts with exceptional performance, particularly among newcomers where the first year's performance can be "massaged" to create an image for successful advertising.

In just the same way the stock market as a whole shows some run-away successes among the smaller companies; Pentland or Somportex are just two examples of winners which many people managed to miss. But what most investors require is long-term performance from a major company; the average size of the unit trusts listed in the top ten is £45m, that of the investment trusts £126.5m. Interestingly, the average size of the top eight unit trusts is only £17m.

Investors who choose investment trusts as favourites for the long-term are well-rewarded, as the article points out; it is significant that whereas half the investment trusts are in the top ten on both a one and a five-year view, none of the unit trusts is in both lists.

Eric Short (Investors are reassured) on the same page was more representative by pointing out the average performances in 1986 for all unit and investment trusts. The unit trusts index showed a rise of 28.8 per cent in the year, compared with 32.4 per cent on share prices and 29.7 per cent on assets for investment trusts. Wise investors are increasingly coming to recognise that the higher publicity, commission and management costs which unit trusts incur are ultimately paid for by the investor; and the investment trust industry is increasingly ready to trumpet its virtues by comparison.

Philip Chappell (Adviser),
Association of Investment Trust Companies.
6th Floor,
16 Finsbury Circus EC2

Engineering working hours

From the General Secretary, Technical, Administrative and Supervisory Section, Amalgamated Union of Engineering Workers

Sir,—Your report (February 6) on the talks between the Engineering Employers Federation (EEF) and the Confederation of Shipbuilding and Engineering Unions is misleading.

Contrary to your suggestion, TASS is totally committed to a reduction of hours in the engineering industry. We are, however, unable to accept the employers' current proposals for massive changes in working conditions and practices. These changes would adversely affect everyone in the industry and do nothing to create jobs for unemployed engineers.

The European Trade Union Institute recently concluded after much research that "The real objectives of employers, and those governments which are in favour of such measures, are to reduce the scope of collective agreements, to undermine the principle of collective bargaining regarding working time or the organisation of health and safety in the workplace, and to restore unilateral control by management in this field." In the interests of both the industry and our members we will not assist the EEF in such objectives but will continue to strive for our union's policy, "the introduction of a 35-hour week."

K. Gill.
64-66, Wandsworth Common North Side, SW18.

Brokers out of business

From Mr D. Lewis.

Sir,—It seems that one of the likely effects of the Financial Services Act will be to put around 70 per cent of small independent life and pensions brokers out of business over the next 12 months. This will come about through statutory reduction of commissions and with Fimbra (Sro) regulations.

Members of insurance company direct sales forces will not be subject to these constraints and will suffer far less the high cost of compliance competition.

It is difficult to understand how this state of affairs can be in the public interest. I fear that small broker representation has been weak and ineffective against the awesome power of the direct selling insurance offices' lobby. I should like to know whether possible conflicts of interest were taken into account where employees of direct selling life offices were involved in shaping the legislation.

David Lewis.
Lewis Coxe and Co.
1-3, Mortimer St, W1.

Labour's shift to the left

From Mr P. Mercer

Sir,—Michael Cassell should be congratulated on his perceptive profile of Mrs Joan Ruddock (February 5), for it serves to illustrate the continuing shift to the Left which is taking place within the Labour Party.

In November 1981, Mrs Ruddock was described as supporting "the Benn end of the Labour Party." In March 1984, in an interview, she admitted, while still CND chairman, that: "My life has become one of greater and greater commitment to socialism." In this latest interview she explains that her "priority," on becoming an MP, will be that of pushing the Labour Party further to the left. Yet, incredibly, in today's Labour Party, she is regarded as a "moderate." As she says, she is a "close friend of the Kinnocks," and often appears on political platforms with fellow CND activist Glenys Kinnock.

Mrs Ruddock's assertion that the current moves of the superpowers is somehow due to the influence of the "peace" movement is also open to challenge. That they are taking place at a time when the "peace" movement, on both sides of the Atlantic, is undergoing a period of rapid, if not terminal, decline, would suggest that the exact opposite is the case. Moreover, before the arrival of Cruise and Pershing missiles in Europe the CND was confidently predicting that once here they would destroy all hope for arms negotiations. Their proponents, conversely, maintained that they would force the Soviet Union to adopt a realistic stance at the negotiating table. Again the CND has been proved wrong.

Hopefully the interview with Mrs Ruddock will serve as a salutary warning that it is a grave error to believe that Neil Kinnock's Labour Party is no longer under the grip of extremists.

Paul Mercer.
Ceda Lawns,
Church Street, Burbage,
Hinckley, Leics.

An expensive army in the futures markets

From the Director, Grain and Feed Trade Association.

Sir,—It is almost four years since Professor Jim Gower came to see us at the Baltic Exchange and went on to visit other city futures markets, to inform us that the Government was concerned at the number of private investors who were being "taken in" by the false and exaggerated claims of brokers. We were told that the London markets should put their houses in order, provide better protection for private investors and a compensation fund.

We pointed out to him that almost without exception, those who had reportedly deceived the public (certainly there was then a spate of such incidents) were not members of the commodity futures markets. Primarily, they were companies on the periphery, not only geographically, who chose to describe themselves as "commodity brokers." Unfortunately, it seemed to us that the Department of Trade and Industry and the Bank of England, even armed with the Banking Act, were unable to take effective action in order to stop such "brokers" from bringing the London markets into disrepute. This was extremely sad because the grain futures market, for example, has always had a good reputation. It appeared to be wrong that such markets should be unfairly tainted.

As a result, many meetings and discussions were held by the industry on how to provide the protection wanted for the investor. In the meantime, the objectives of the Government expanded beyond those original aims.

So, all these years on, what has been achieved? An expensive army of regulators in the form of the SIB and below it are the SROs. A yet further requirement of staff to be employed by the exchanges in order to effect compliance, monitoring and control, are futures markets to achieve RIE status. The cost will run into many millions, and a great many brokers are currently trying to work out whether they will be able to survive the additional burden of costs.

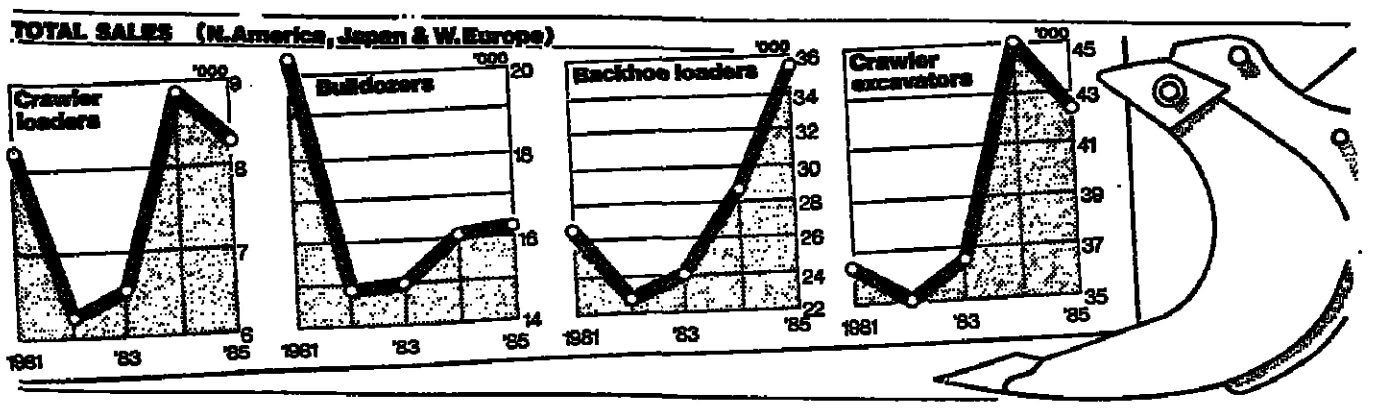
It has been a very difficult time in recent years for the brokers, indeed it is only about three years ago that following pressures from the EEC and our own OFT, that all the markets were forced to remove laid down scales of minimum commission. In their place we now have "freely negotiable" commissions which, quite frankly, have only added to the burden of brokers. Needless to say this imposition, which the Stock Exchange was also to suffer, was not pressed on our competitors in France and Holland, where they still believe that a scale of commission provides a fair rate for the job and, effectively, ensures the broker will have no need to act other than in the client's best interests.

I find it deeply offensive that after so much effort and goodwill on the part of the London markets, there are those who would attempt to make political gain out of the new regulatory arrangements now being carefully put into place. I must say that the trade does not regard the new system strictly as self-regulation because the system itself is built on a statutory platform and we the futures markets, therefore, have many people overseeing us. On the other hand, because we are perceived to be "self-regulating," those of us involved in the industry on the regulatory side are making every effort to ensure that there are no loopholes. If the arrangement were being brought into effect totally under a government bureaucracy, I have very little doubt that many of us involved in the industry would have spent time looking for loopholes rather than trying to fill them as is now the case.

I believe that the self-regulatory structure which is proposed has the best potential for providing for the needs of investors and professionals. Therefore, I would implore the powers that be to keep the costs of "self-regulation" to a level which the trade can afford. Thus enabling the market in turn to compete with the rest of the world and, at the same time, protect the private investors who choose to use the futures markets.

W. J. Englebright,
Baltic Exchange Chambers,
St Mary Axe, EC3.

Construction equipment



Wary friends seek survival

By Nick Garnett

JAPANESE makers of construction equipment came face to face with their European competitors in Frankfurt last week, in an attempt to ward off further EEC anti-dumping duties on their earthmoving machinery.

It was a rare outbreak of peace in an industry dominated for years by price wars and which is still operating at not much more than half its global capacity.

The Frankfurt meeting followed a spurt of distributor deals between Japanese, European and US producers. Enemies are becoming wary friends with one common interest—survival.

Among the more notable deals have been the following:

- Caterpillar and Mitsubishi are merging hydraulic excavator ranges in a joint manufacturing venture at Akashi, Japan. The US Caterpillar company gets new products and direct access to Far East markets; Mitsubishi, whose excavators will be sold under the Caterpillar name, gains entry to Caterpillar's dealer network.
- Komatsu of Japan, the second largest construction equipment maker after Caterpillar, will purchase from the Brown group of the UK 300 a year of Brown's Norwegian-made Moxy range of articulated dump trucks in order to sell them as Komatsu products. Moxy's own brand dump trucks will sell through Komatsu's worldwide dealer network.
- ABG of West Germany will sell through Komatsu its vibratory rollers and other road compaction machinery.
- Fiatallis, part of the Italian Fiat group, and Hitachi will create a jointly owned company at San Mauro, near Turin to make up to 3,000 Hitachi-designed hydraulic excavators a year with complex global distribution arrangements as part of the deal.

The crux of most of these agreements is that they concentrate on distribution rather than production. "If you are a major producer you cannot afford now to be a shortline manufacturer. You have to have a worldwide distribution system. You need to get that leverage," says Don Fites, executive vice president for marketing and sales at Caterpillar.

Not that joint ventures and takeovers are anything new in construction machinery. In the past five years, JI Case of the US has taken a big stake in Poclain, the French manufacturer of hydraulic excavators, and is underpinning a financial restructuring and plant rationalisation plan now in progress.

Clark Equipment and Volvo of Sweden formed VME, incorporating Volvo's construction equipment arm and the Volvo BM, Michigan and Euclid marques of wheel loaders, big off-highway trucks, bulldozers and other equipment, and are still grappling with the consequences of the merger.

Caterpillar itself has a number of partnership agreements including those with the compaction equipment maker CMI in Oklahoma and the dump truck maker Artix in the UK. It signed an agreement with Mitsubishi 25 years ago and has a joint $1bn business in Japan.

The difference now is the pace of change and its direction —the emphasis on marketing in a blighted market-place.

"The big companies which will survive are those that can provide the customer with what they want, producing for dealers a full range of products for the world market," says Gian Carlo Vezzalini, chairman of Fiatallis. "This is a $20bn industry with $30bn capacity," says Mr Fites.

In 1980-81, demand for construction equipment fell by 15 to 20 per cent in units and perhaps 30 per cent or more in value. The pick-up has been slow and unsteady.

It is true that some capacity has disappeared. Caterpillar has shut six plants over the past seven years and announced last month plans to close a further three factories in its 30-plant worldwide network.

But other cuts have not had the expected effect. IBH, the West German machinery grouping collapsed some years ago, General Motors withdrew from construction machinery last year, and Northern Engineering Industries of the UK, also left the sector, except for its crane business. But GM's Terex operations were sold to Northwest Engineering, based in Wisconsin, and BM, an expanding UK mini-conglomerate of niche producers, snapped up NEI's Haulamatic and Hymac companies.

Overall, production capacity has not changed very much, partly because modern highly productive manufacturing techniques tend to increase volume capabilities at a time of weak growth in demand. Caterpillar is predicting that industry sales will grow by only 1.5 per cent to 2 per cent a year for the foreseeable future.

For the leading Japanese companies, there have been two other equally ferocious pressures; the rising yen has forced up prices of Japanese equipment in foreign markets and anti-dumping duties of up to 26 per cent, imposed by the EEC on Japanese excavators in 1985, are now making their full impact.

In addition to seeking alliances with their competitors, Japanese companies are looking increasingly to manufacture abroad. Komatsu, once the industry's most aggressive pricer in its global battle with Caterpillar, has just begun production of excavators and wheel loaders at a former Caterpillar plant in north-east England to try to sidestep this problem

At the same time, the big shifts in popularity of different pieces of equipment has proved unstoppable. As the big dam and Middle Eastern construction projects dried up at the turn of the decade, the emphasis changed to smaller, more versatile equipment for maintenance and light building work and away from jumbo-size earthmovers.

This all means that companies which had not gone in for the smaller machines, or whose models in these product areas were outdated, have been forced move fast to stay in the field.

The Fiat-Hitachi deal allows Fiatallis to drop its dated hydraulic excavators for the more advanced Hitachi models. Komatsu, a big producer of rigid dump trucks with virtually no presence in the market for the faster selling articulated trucks, has, in effect, bought Moxy know-how.

The overwhelming characteristic of these deals, though, is their emphasis on distribution.

In the case of Hitachi, the arrangement with Fiatallis will enable it to market its excavators — the only earthmoving machinery it makes — through dealers offering the broader range of Fiatallis machinery. This is important because customers seek increasingly to purchase as much equipment as possible from one dealer network to maximise price discounts and service back-up.

Caterpillar is a good example of the cost benefits of such deals. It costs $10,000 in freight charges to ship an excavator from its plant at Gosselies, Belgium, to Australia. But it will be half that, now the US company is linking up with Mitsubishi on Japanese soil. "Those guys are tough enough to compete with, without giving them a $5,000 start," says Mr Fites of Caterpillar.

The realignments pose three questions. One concerns what impact they will have on smaller niche manufacturers. Such companies might find themselves excluded from cost effective worldwide distribution networks. They might also discover the big producers piling into their product areas.

FINANCIAL TIMES

Tuesday February 10 1987

Lionel Barber in Washington traces the professional links in the Guinness affair

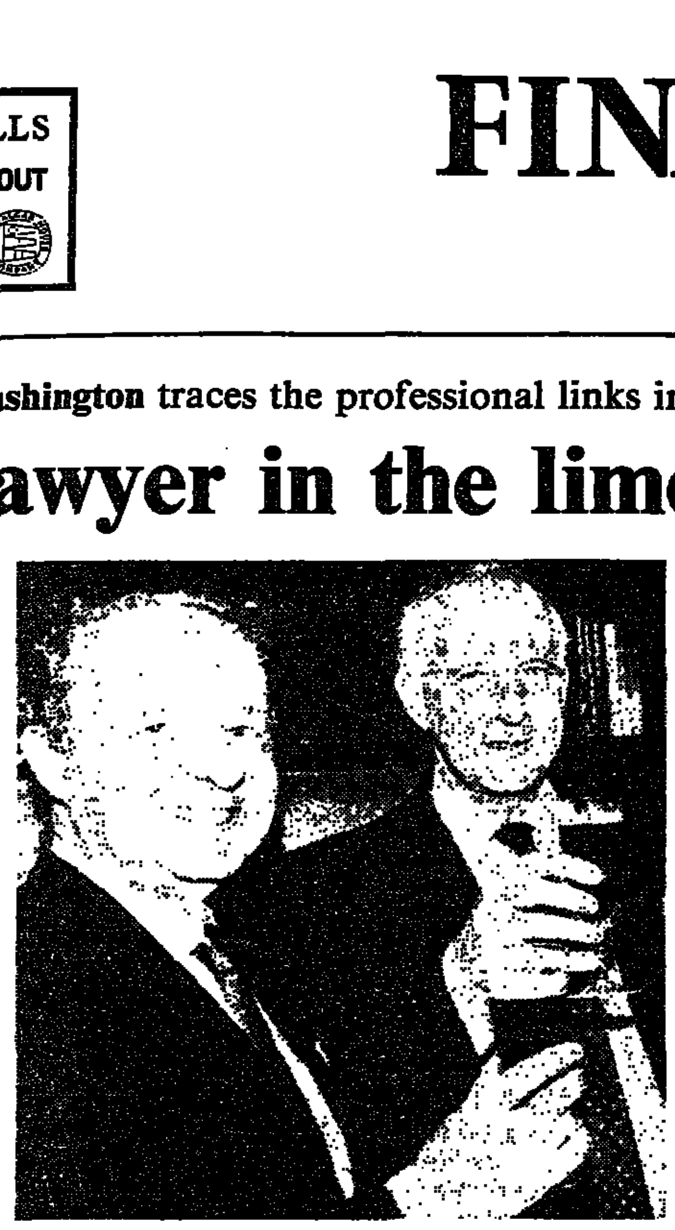
US lawyer in the limelight

IN DOWNTOWN Washington DC, just up the road from that favourite Anglophile haunt, The Tabard Inn, stand the offices of Ward, Lazarus, Grow & Cihlar, trademark attorneys and lawyers to Guinness, the UK drinks and leisure group.

Until recently, Ward, Lazarus was little known outside its specialism of trademark law which, while often lucrative, does not arouse the same publicity in the US as, for example, a multi-million dollar palimony suit.

The Guinness share rigging scandal – the subject of an official UK Department of Trade inquiry – has changed all that. Ward, Lazarus has shot to notoriety.

This may be unfair, because Guinness still retains Ward Lazarus as one of its US law firms. The connection essentially amounts to one individual: Mr Thomas J. Ward, the 47-year-old Connecticut-born attorney who is probably closer than anyone to the drama's leading protagonist, Mr Ernest Saunders. Both have been asked to resign from the Guinness board and Mr Saunders has been sacked as chairman.



Twin-track careers: Guinness directors Mr Thomas Ward (left) and Mr Ernest Saunders

A great deal more is known about Mr Saunders than Mr Ward, who took his law degree in 1966 at the University of Notre Dame in Indiana. Notre Dame is best known for its "fighting Irish" American football team and its Catholic alumni society, the nearest US equivalent to Britain's old boy network.

It is no accident that two of the firm's other partners – Mr Kenneth Lazarus, a former White House counsel who ranks as the team's heavyweight political lobbyist, and Mr Frank Cihlar, a former US Justice Department official and academic specialising in tax law – also studied law at Notre Dame in 1967.

Mr Ward went through several law firms in the 1970s before achieving what every good Washington lawyer aspires to: setting up his own practice. Those who remember Mr Ward in those days say he was an exceptionally ambitious young man who wanted to make his first million, fast. His big break came when he was introduced to Nestlé, the international food conglomerate based in Vevey on Lake Geneva, Switzerland.

It was through Nestlé that Mr Ward and Mr Saunders found common cause. Together they planned a joint campaign to turn around world opinion ranged against Nestlé's powdered baby food products. The allegations were that Nestlé's hard sell techniques had encouraged mothers in Third World countries to give up breast feeding, thereby increasing their chances of pregnancy – and that the company had failed to make clear the dangers of mixing the powdered milk with contaminated water.

The anti-Nestlé campaign was effective and well-orchestrated. But Mr Saunders and Mr Ward hit back hard. In the US, it was revealed that Nestlé had contributed $25,000 to a neo-conservative research centre in Washington which, just before, had commissioned a Fortune magazine editor – Mr Herman Nickel, later to become US ambassador to South Africa – to write an article attacking Nestlé's opponents.

The article, which referred to "Marxists marching under the banner of Christ," had an immediate impact. In an internal memorandum, now available at the National Security Archive in Washington DC, a private research and data base, Mr Saunders wrote: "There must be maximum exploitation of the opportunities presented by the Fortune article..."

He noted the need to prevent Nestlé from being identified as the dominant subscriber to the Ethics and Public Policy Research Center: "Mr Ward informs us that there are ways that this can be satisfactorily handled."

The follow-up came with the centre mass-mailing the article to addresses obtained from Nestlé's US public relations firm. The centre's director, Mr Ernest Lefever, nominated by the Reagan Administration for a senior human rights monitoring post in the State Department, was forced to withdraw after his candidacy was blocked by the Senate Foreign Relations Committee.

At the time, the controvesy did not appear to harm Mr Ward, who went on to establish his third – and current – law practice. This time he mixed his team with two attorneys with strong academic qualifications – Mr Cihlar and Mr Michael Grow (a trademark specialist with several publications to his name). Mr Lazarus, also on the team, had worked in the Ford Administration White House and served in the presidential transition team in 1980-81 when Ronald Reagan was about to move into the Oval office.

An East Coast attorney who is familiar with Ward, Lazarus says that the firm reflects Mr Ward's strength and weaknesses. "Tom is a businessman who likes the smoke-filled room. He may not have looked at a law book for a long time, but he has an uncanny ability to get excellent people to do the grunt work for him."

Ward, Lazarus soon became a force in US trademark law – in essence the establishment and protection of companies' brand names. Mr Ward himself represented Nestlé in the company's attempt to extend its Tollhaus recipe tradmark to cover chocolate chip cookies. He lost in the first round after a lower court ruled that Tollhaus was a generic name in the public domain. The case was settled on appeal.

In the main, however, Mr Ward followed the career path of Mr Saunders who, in 1981, had been headhunted to run the then lacklustre Guinness. For a time he remained on the sidelines acting as a consultant to Mr Saunders. Then, in January 1985, just before Mr Saunders made his first major acquisition – the £360m ($543m) contested bid for Arthur Bell, the scotch whisky group – Mr Ward joined the Guinness board as a non-executive director. "From that moment on," says one Guinness executive, "Tom Ward was de facto head of legal affairs."

It was an unusually prominent position for a US attorney. "Normally we don't get involved in sitting on boards of big foreign companies and doing their legal work because if there is litigation the whole practice could be liable," said one Washington lawyer.

During the £2.6bn contested bid for Distillers, when the share rigging scandal took shape, Mr Ward was a key adviser. A Guinness executive says that Mr Ward "dreamt up" the controversial arrangement for Distillers to indemnify Guinness for its bid costs, and that he hit upon the notion of major whisky brand disposals in order to avoid the bid being referred to the UK Monopolies and Mergers Commission.

Despite Mr Ward's propensity for hard bargaining, lawyers who know him in Washington said they would be surprised if he was involved in share manipulation of the kind which occurred during the Distillers bid. One US lawyer said: "I can't believe he would be that stupid."

Indeed, few people believed that either Mr Saunders or Mr Ward could have become embroiled in one of the biggest financial scandals to break in the City of London for a decade.

There are similarities between the two men's style and temperament: both are ambitious and determined and yet both have considerable charm. Both were asked to submit their resignations from the Guinness board – and yet both have failed to do so.

Battle lines drawn as IG Metall seeks cut in hours

By Peter Bruce in Bonn

THE battle lines have finally been drawn in what promises to be a fierce West German pay dispute, and the already bruised consensus between trade unions and employers is going to be severely tested again in the next few months.

Western Europe's biggest union, the IG Metall, agreed at the weekend on a pay and conditions claim for this year – a 5 per cent wage rise and a cut in the working week from an average of 38.5 hours to 35 hours – that bears all the hallmarks of a strike waiting for somewhere to happen.

IG Metall, by German standards an aggressive union, has 2.6m members, although it sometimes spuriously claims to represent all 4m people in the metal-working industry. Mr Franz Steinkuehler, its new, young president, crowned his career by leading a strike for a shorter working week in 1984 that closed down the entire German motor industry for seven weeks.

The employers, grouped under the Gesamtmetall umbrella, were forced to give in then to a cut from a 40 hour week to one of around 38.5 hours.

Mr Steinkuehler retains a missionary zeal about the value of cutting working hours as the most effective way possible of creating jobs. He promised at the weekend that his union would be far more ready to compromise on pay than on hours.

Working time will quickly become the core of the negotiations. It was always possible for the employers to disguise the 1984 hours cut as something milder than a concession of principle. But if they do it again now, even in a modest way, the precedent is established.

Employers argue, not surprisingly, that the best way to create jobs is to produce competitive goods and invest the profits. Mr Werner Stumpfe, Gesamtmetall's President, said at the weekend that investment by his members had created 300,000 new jobs in 1985 and last year. He added that IG Metall's claims that the 1½ hour cut in the working week, won in 1984, had created 100,000 new jobs were a trade union fairy tale. The figure was closer to 20,000.

Adding his voice to other employers who have called the IG Metall claim a job destruction programme, Mr Stumpfe said it lay beyond all reality. The claim amounted to a total of 15 per cent. Gesamtmetall is offering around 2.7 per cent and no cut in hours.

The third round of regional talks between unions and employers began yesterday in Berlin, Krefeld (for the Ruhr) and Bad Nauheim, in Hesse, with Mr Steinkuehler, in particular, stirring it up.

The situation was far worse than in 1984 when he called the motor industry strike, he said at the weekend. The Government had equipped employers with new laws to make it harder for people to stay out on strike.

In order to generate political opposition to the employers' position, he said, it must be made clear to workers "that employers methodically collaborate to keep their families, wives and children in poverty". This was the only way to reach a compromise and to avoid "a strike whose consequences no one can assess or estimate today".

Although there are constant reminders from political commentators of Mr Steinkuehler's fundamental "middle classness," (he plays tennis sometimes with employers), he also has a long record of leading strikes not directly related to pay issues. The consensus between unions and employers centres on this not happening.

The two sides have precious little time before real hostilities break out. After the Fasching Carnival ends on Ash Wednesday, March 4, the talks are likely to be accompanied by warning strikes in plants throughout the country.

These usually short stoppages were used to little effect, however, at the end of 1985 in a vain effort to stop the Government passing anti-strike legislation. But this time the employers are the target and probably have more to lose.

Then, too, all the unions under the umbrella of the DGB took part. There is scepticism among other unions about Mr Steinkuehler's shorter week and IG Metall may have to fight alone.

THE LEX COLUMN

Banking on Mr Benn

The share prices of the merchant banks have taken a tumble since the UK Government announced greater powers for the Bank of England to block undesirables from taking controlling stakes in British banks. Judging from their response, the banks would like their shares to fall further. The new system rules out only investors who are not fit and proper. But the banks can think of some very fit and proper people they would not like to be owned by, even though some of their best friends are Japanese.

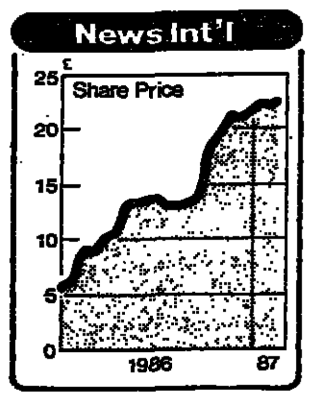
It just so happens that the Bank of England would not mind having the power to rule out takeovers simply by invoking the national interest. Mr Tony Benn's Industry Act is, weirdly, being dredged up to support the argument. That legislative curio gives the Government the right to block any foreign takeover of a manufacturing company, whatever the Monopolies Commission says.

It is difficult to think of a specific foreign banking takeover, mounted by fit and proper persons, which would be against the national interest, particularly as badly run banks tend to be the ones that get taken over. But in the extreme case, it might not be such a wonderful thing if all the clearers were taken over by foreign banks. There may be something to be said for having a catch-all provision in the Banking Bill, if only because it would be a far more open method of discrimination than the kind of contrived monopolies and mergers inquiry used to scupper the Hongkong and Shanghai Bank bid for Royal Bank of Scotland.

The irony is that the lobbying now being effected will force the Government to defend its open-door policy much more clearly in Parliament. So foreign predators may receive greater, not less, encouragement.

News Int'l

Peace looks close to hand in Australia's media war – except perhaps for the hapless John Fairfax, which has been thrust forward by events rather than disposition to become New Corporation's only real competitor. News Corporation takes over Herald & Weekly Times plus the Queensland Press for a gross A$3.3bn, which is reduced by A$1bn by the cancelling out of cross-shareholdings. While the A$2.3bn can all



be covered by the issue of new shares, if Mr Murdoch wishes to remain as majority shareholder then half paper, half cash could well be his ideal balance.

How pleasing for News Corp then, that HWT and its affiliates have raised almost A$700m and rid Mr Murdoch of electronic sources of embarrassment in advance of gaining full membership of the empire. And News Corp has done some pruning of its own, raising A$840m through the sale of two television stations.

News Corp should end up with cash in the bank, a greatly expanded equity base and 70 per cent of the Australian newspaper industry. Its attention will no doubt shift towards the US, and Fox Television in particular. With some A$700m of the A$1.7bn Drexel high-yield bonds used to make the Fox acquisition in April still outstanding, Mr Murdoch will be keen to clear the US decks so that normal borrowing can be resumed as soon as possible.

Yesterday's £60m capital raising announcement by News International fits neatly into the Fox package, and some of the money will go towards redeeming the junk bonds. News International should allow a better equity base for News America (in which it has a one fifth stake) to borrow more readily as well.

Gov't guaranteed

Since the last fixed-rate Eurobond to carry a UK Government guarantee was issued almost 10 years ago, there is every reason to believe that the pricing of yesterday's issue from Gefco included a fair-sized scarcity premium. A company set up last year to invest in ECGD loans, Gefco effectively derived a Government guarantee from the nature of its assets; making that guarantee explicit has allowed some export loans to be privately funded in the capital markets without need of a revision in the statutory powers of ECGD.

If there were to be many such issues, the rarity value of the Government name might become slimmer, and in any case the mechanics of a move to more widespread guaranteed funding of export finance have yet to be worked out. There would probably have to be some frontline borrower; whether a state agency or a bankers' consortium, may depend on the flavour of the government as the market develops.

Banking relations

The decision of the Rank Organisation to take its merchant banking business to J. Henry Schroder Wagg is the kind of snub which S. G. Warburg, its former adviser, will just have to shrug off. The longer a bank's client list the more likely it is to run up against conflicts of interest – as Warburg did in defending Granada against Rank – which seem doomed to lose it business. That is particularly irksome for banks with a preponderance of mature companies capable of blocking more business than they bring in. Yet the lesson – if there is one – from the Rank shuffle is that relationship banking has not been killed off by competition and thus loyalty to clients can still be bankable.

Companies may be enjoying a buyer's market in corporate advice (and the occasional luxury of double standards over loyalty) but there is a natural limit to the degree of promiscuity they will want to encourage. Transaction-based relationships with US investment banks are fine for capital raising and buying-in single ideas; companies will not, however, want to share their innermost thoughts with any more advisers than they have to, while relationships do take time to build up. Even the most self-confident bank is not going to place itself in baulk indefinitely for the sake of another "one-off" deal at some point in the future.

Taddale

Last Tuesday's column referred to the late Mr Michael Carlton. We are sorry for any distress this mention may have caused.

US and EEC agree to meet on telecoms

BY TERRY DODSWORTH IN LONDON

THE US and EEC moved to head off growing conflicts over telecommunications trade issues yesterday when they agreed to hold regular consultations to try to co-ordinate standards for the next generation of equipment.

The accord follows a two-day meeting in Brussels last week between Mr Michel Carpentier, the European Commission's director general of information technology, and Mr Michael Smith, the US deputy trade representative.

This is the first time the two recently embattled trade partners have made a formalised attempt to establish a joint approach in telecommunications. The agreement was welcomed by Commission officials yesterday as an encouraging contrast to the controversial US-Japan semiconductor trade pact. It is designed to create an increased flow of trade by adopting commonly agreed equipment standards.

Among the subjects under discussion were telecommunications standardisation, testing and type approval, technology and US regulatory trade practices – the last point being a bone of contention for EEC equipment suppliers, which have argued in the past that they are being unfairly squeezed out of the US market.

Tension over telecommunications trade has been rising between the EEC and the US for the last 12 months, with both sides claiming that their manufacturers have difficulty selling in the other market.

EEC producers have become particularly irritated over the elaborate US testing procedures for large public telephone exchange switches, an area where European manufacturers are relatively strong, but where they have had little sales success in the US. American manufacturers complain similarly over the tight regulatory controls exercised over equipment standards in most European countries.

While the EEC runs an overall trade surplus in telecommunications equipment, it has a $500m annual trade deficit with the US – a deficit which has recently been on a rising trend. US anxiety over its trading position has increased, however, because its deficit in telecommunications has risen rapidly

This is partly a reflection of the speed of deregulation in America, which has opened up the market for small exchanges, telephone sets, and transmission equipment. But it has led the US Government to try to increase pressure on both the Japanese and Europeans to open up their markets.

The two sides agreed to open regular discussions on achieving compatibility between the US and EEC in integrated services digital networks (ISDN).

Pretoria cuts tax in pre-election budget

BY ANTHONY ROBINSON IN JOHANNESBURG

MR BAREND du Plessis, South Africa's Finance Minister, yesterday introduced a pre-election mini-budget of tax cuts aimed at injecting R1bn ($232m) into South Africa's sluggish economy and designed to boost the country's flagging economic growth rate.

The budget is meant to lift South Africa's real gross domestic product growth rate to 3 per cent this year from the meagre 1 per cent growth achieved last year.

The early mini-budget was prompted by President P. W. Botha's decision to hold a general election for the all-white House of Assembly on May 6. The budget is usually unveiled in March, but this year parliament will be in recess for the election campaign.

Mr du Plessis resisted electoral temptations to raise pay for civil servants who will now get their increases after the election when the main budget is introduced on June 3.

The man features of the budget are increases in tax thresholds and a cut in the top marginal rate of income tax from 47.5 per cent to 45 per cent coupled with repayments to 1m tax payers of the 1983 fixed loan levy, which acted as an income tax tax surcharge. The income tax concessions will reduce the tax burden by R550m, while R287m will accrue from the loan repayment and interest. Mr du Plessis also announced tax concessions for working wives, higher pensions and a doubling of the tax free concession on savings interest to R1,000. Taxes on companies and the mining sector remain unchanged as does the general sales tax (GST) which stands at 12 per cent.

Mr du Plessis said: "Seen in general terms, the economy is clearly in a moderate revival phase which can, with a little push, gradually develop greater momentum." He warned business against seeking to fully restore profit margins before offering price reductions but ruled out "resort to the direct control of prices or incomes."

Mr du Plessis gave a mixed review of the economy. Mining and other export sectors had experienced a strong revival. Industrial production retail and wholesale sales had "generally increased" while farm prospects had improved noticeably thanks to good rains. However, the building and construction industries and steel and engineering were still experiencing "weak" conditions. "It would be folly to depress demand by unduly restrictive monetary or fiscal policies," he said.

Major changes in the tax system are expected later this year following publication of the Margo commission of inquiry into the tax structure.

The limited nature of the tax concessions and the mildly expansionary tone of the budget also appears aimed at influencing foreign bankers who are expected to press for further debt repayment when they meet South African officials in April.

Last year, South Africa agreed to repay 5 per cent of the maturing portion of the $14bn of foreign debt frozen under the September 1985 "debt standstill."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	S	13	55	Malta	S	17	63	Rhodes	S	13	55
Algiers	S	21	70	Edinburgh	R	5	41	Manchester	C	10	50	Rio de J'o	S	39	102
Amsterdam	C	7	45	Faro	F	15	59	Manila	S	30	86	Rome	F	16	61
Athens	S	12	54	Florence	C	9	48	Melbourne	S	22	72	Salzburg	C	4	39
Bahrain	S	24	75	Frankfurt	R	9	48	Mexico City	S	22	72	San Francisco	C	13	55
Bangkok	S	33	91	Funchal	R	17	63	Miami	S	13	55	Seoul	S	12	54
Barcelona	S	14	57	Geneva	S	5	41	Milan	Fg	0	32	Singapore	S	30	86
Beirut	-	—	—	Gibraltar	C	15	59	Montreal	F	-15	5	Stockholm	F	-7	19
Belfast	R	6	43	Glasgow	R	4	39	Moscow	S	-5	23	Strasbourg	S	13	55
Belgrade	C	4	39	Guernsey	C	7	45	Munich	C	10	50	Sydney	S	26	79
Berlin	C	5	41	Helsinki	Sn	-11	12	Nairobi	F	26	79	Taipei	S	26	79
Biarritz	C	12	54	H. Kong	C	20	68	Naples	S	15	59	Tangier	S	15	59
Bombay	S	30	86	Innsbruck	S	7	45	Nassau	C	24	75	Tel Aviv	C	11	52
Bordeaux	S	15	59	Inverness	C	4	39	New Delhi	S	21	70	Tenerife	S	20	68
Brussels	F	11	52	Islamabad	C	21	70	New York	Sn	1	34	Tokyo	S	13	55
Budapest	F	9	48	Istanbul	F	5	41	Nice	C	11	52	Toronto	S	-17	1
B. Aires	S	21	70	Jakarta	R	31	88	Nicosia	S	18	64	Tunis	S	17	63
Cairo	F	15	59	Jersey	D	8	46	Oporto	R	11	52	Valencia	S	19	66
Cape Town	-	—	—	Jo'burg	S	26	79	Oslo	F	-5	23	Venice	F	5	41
Caracas	S	27	81	Lima	C	26	79	Paris	C	10	50	Vienna	C	5	41
Casablanca	C	17	63	Lisbon	F	13	55	Peking	S	11	52	Warsaw	F	2	36
Chicago	C	3	37	London	C	10	50	Prague	F	7	45	Washington	Sn	-4	25
Cologne	C	9	48	Los Angeles	C	15	59	Reykjavik	F	4	39	Zurich	S	10	50
Copenhagen	C	3	37	Luxembourg	C	7	45								
Corfu	S	14	57	Madrid	S	13	55								
Dallas	S	0	32	Majorca	S	15	59								
Dublin	F	10	50	Malaga	S	17	63								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

French currency plan

Continued from Page 1

intends to keep open its options on policy towards the dollar unless it wins commitments from West Germany and Japan that they will promote faster growth in their economies.

The failure so far of G5 to agree on an early meeting, despite two weeks of intensive contacts, reflects the gulf between the US and West Germany in particular on their respective responsibilities in achieving a reduction of the US trade deficit.

European monetary officials are doubtful that these could at present be resolved at ministerial talks and fear that an unsuccessful G5 meeting could be the trigger for another dollar slide.

The US currency closed yesterday in London at DM 1.8170, 3.9 pfennigs lower than on Friday after what dealers described as frantic trading in the wake of Mr Baker's remarks. The pound benefited from the weaker dollar but fell back against European currencies. The sterling index ended the day 0.3 points lower than on Friday at 68.5.

FINANCIAL TIMES
Tuesday February 10 1987

Record year at Anheuser Busch

By Anatole Kaletsky
In New York

ANHEUSER-BUSCH, the largest US brewing company, enjoyed record sales and profits in 1986, boosting its leading position in the US beer business, with an increase in market share to 38 per cent from 36.6 per cent.

The company's net profits improved 16.7 per cent to $518m or $1.69 a share, compared with $444m or $1.42 in 1985. Part of the strength of earnings was due to an accounting change on pensions expenses. This boosted 1986 net profits by $23m, or 8 cents a share.

However, the company's underlying sales and profits continued to move ahead strongly. Its gross revenues, including Federal excise taxes, rose by 9.3 per cent to $8.4bn. Excluding excise taxes, revenues increased by 9.7 per cent to $7.7bn.

In the fourth quarter, Anheuser-Busch had net income of $93.7m, or 31 cents a share, an 18.4 per cent improvement over the previous year's $79.2m, or 26 cents.

Budweiser, the company's principal product, easily retained its leading position among the US beer brands last year, "continuing to show remarkable strength in nearly all geographical areas and with most consumer groups," Mr August Busch, chairman, said.

Gold Fields ahead

By Our Financial Staff

GOLD FIELDS of South Africa, the 48 per-cent-owned associate of London-based Consolidated Gold Fields, boosted pre-tax profits by more than a fifth in the six months to December, to reach R154.8m ($74m) against R127.6m.

The interim dividend is being lifted from 55 cents a share to 65 cents.

GTE lifts sales 7% in flat fourth quarter

BY JAMES BUCHAN IN NEW YORK

GTE, which operates the largest US telephone network outside the Bell system, yesterday reported fourth-quarter net income before sperial charges of $282m, or 83 cents a share, down from $283m in the 1985 quarter, or 86 cents a share on fewer shares outstanding.

However, the retroactive repeal of investment tax credits reduced 1986 fourth-quarter earnings to $268m, or 79 cents, against a loss of $1bn the year before after a special charge of $1.3bn.

This was taken to account for extraordinary costs in the formation of joint ventures in its long-distance network and in equipment manufacturing. Sales revenues on a comparable basis, excluding the joint ventures, rose 7 per cent to $4bn.

For the full year, GTE reported net income of $1.2bn, or $3.53 a share, against a loss of $161m, or 83 cents, share after the special charge. Sales revenues rose 5 per cent from a restated $14.4bn to $15.1bn.

GTE raised its dividend by 13 per cent at the end of last year and introduced other deterrents against takeover.

It was held back by pressure on profit margins at its core local telephone companies and the high cost of developing the Sprint long-distance network, which was last year placed in a joint venture with the operations of United Telecommunications.

During the year, earnings at the telephone companies rose 1 per cent to $2.9bn, while revenues were up 7 per cent to $11.3bn.

GTE's share of the pre-tax losses at US Sprint were $286m, as against $245m when the businesses were wholly-owned in 1985.

United Telecom, which is the second largest independent telephone operator after GTE, reported net income from continuing operations of $27.5m or 27 cents a share, in the fourth quarter, against a loss of $141.1m. Sales revenues were down from $790.5m to $738m.

Shamrock rebuffs bid

BY WILLIAM HALL IN NEW YORK

DIAMOND SHAMROCK, the Dallas energy group which is involved in a major restructuring, has rebuffed a $2bn takeover offer from Mr T. Boone Pickens, the Texas oil millionaire who has been doggedly pursuing the company.

Mr Pickens' Mesa Partnership offered to buy Diamond Shamrock for $15 a share last week. The offer came only days after Diamond announced a massive restructuring and management reshuffle in a desperate bid to avoid being taken over by Mr Pickens.

Diamond Shamrock's board said yesterday that it favoured the company's restructuring plan and turned down Mr Pickens' request to put the two rival offers to a shareholder vote. The company saw "no basis to submit the matter to stockholders".

Diamond Shamrock's tender offer for 20m of its shares at $17 a share was scheduled to begin yesterday and the company plans to spin off its refining and marketing operations to shareholders in the next 90 days.

Hasbro levels off at year-end

By Andrew Baxter
In London

HASBRO, the US toymaker which gave the world My Little Pony and Transformers, yesterday reported its first flat year for earnings since beginning a heady expansion phase which has made it one of the world's largest toys and games companies.

Net earnings last year were $99.2m, or $1.71 a share, up only marginally from $99m, or $1.78, in 1985. In the fourth quarter, earnings fell from $19.5m, or 34 cents, to $17.2m, or 29 cents.

My Little Pony can rest easily in its stable, however. The culprits responsible for the setback were unmasked yesterday as Bingo, an electronic talking bear, sales of which were "disappointing" due to the flood of similar rival offerings, and Inhumanoids, a "boy's action figure."

This range will not be in the company's 1987 line, says Mr Stephen Hassenfeld, chairman and chief executive.

Mr Hassenfeld said Transformers were the largest factor in 1986 sales, which rose from $1.23bn to $1.34bn. Even so, Transformer sales fell 35 per cent from $335m in 1985.

However, sales of Gem, a new fashion doll, exceeded expectations. Mr Hassenfeld would not forecast total sales or earnings for this year, but said he expected the stalwart GI Joe range, recently relaunched, to be the largest contributing category.

Hasbro's earnings rose from $3.7m in 1980 to $99m in 1985, helped by successful products and acquisitions, notably that of games producer Milton Bradley in 1984.

Government's moves to ease restrictions welcomed

Italian banking slips its chains

Alan Friedman in Milan looks at the background to the new rules for Italy's merchant banks which Francesco Cingano (right), Banca Commerciale Italiana chairman, sees as "an important development for the Italian banking system." The changes follow months of lobbying by commercial bankers concerned at the number of non-bank entities which have started operating as new financial intermediaries.

THE ITALIAN Government's move last weekend to lay ground rules for the development of home-grown merchant banking was welcomed by Italian bankers and businessmen yesterday as an important reform which should contribute to the creation of a more competitive and modern financial market.

The action gives the central bank the right to authorise commercial banks to set up merchant banking subsidiaries which may acquire equity in companies on a temporary basis, provide corporate finance advice, organise fund raising operations and stock market quotations and engage in other activities.

Reform comes after 50 years of restrictions on commercial banking activities in Italy. The curbs can be traced to the trauma of the 1930s, when Italian banks were left holding equity stakes in many bankrupt industrial concerns.

The preliminary set of rules for merchant banks, approved on Friday by the inter-ministerial cabinet committee on credit, is likely to rank in importance alongside such other Italian financial reforms as the 1983 lifting of the *massimale* or "corset" of bank lending restraints (which spurred competition in the corporate loan market) and the 1984 start-up of unit trusts – which attracted nearly $50bn of savers' funds in its first two years.

For months, the Bank of Italy has been lobbied intensively by commercial bankers concerned at the proliferation of non-bank entities which have begun operating as new financial intermediaries.

Mr Francesco Cingano, chairman of Banca Commerciale Italiana (BIC), Italy's second biggest commercial bank, yesterday described the new guidelines as "an important development for the Italian banking system." He expected the central bank to regulate the new institutions very closely.

The extent to which the formation by Italy's big commercial banks of new merchant bank subsidiaries will spur the development of small and medium-sized businesses as it is theoretically meant to do – remains to be seen.

Certainly the emergence of up to 10 new merchant banks in the next year or so (as is considered likely) should make for a more competitive environment. In particular the market should become more pluralistic, with a decline in the traditional dominance of Mediobanca, the Milan merchant bank which has recently been embroiled in political controversy.

Mediobanca, which has been run for the past generation by 79-year-old Mr Enrico Cuccia, has lost much of its old influence because of Mr Cuccia's failed attempt to maintain the privileged position in the state-controlled bank of a tiny, private sector group of minority shareholders.

Last weekend also saw the appointment of Mr Antonio Maccanico, the distinguished secretary to President Francesco Cossiga, as the new chairman of Mediobanca. The appointment was seen as a sign that Mr Cuccia's days are numbered.

As for new merchant banks, the Bank of Italy will have to decide on minimal capital requirements and other regulatory details, but these should not pose much of a problem to well-heeled commercial banks wishing to launch a merchant bank.

Looking at what may happen as a result of the decision on merchant banks, it is useful to understand what the commercial banks may wish to gain, and what the term *merchant bank* means in Italy.

Many Italians have been misusing the term as long as the debate has been under way. Mr Paolo Azzoni, managing director of ABK, a merchant banking joint venture between Britain's Kleinwort Benson and a group of Italian banks, says that in Italy the term refers above all to "a mechanism by which banks can buy minority equity stakes in small companies and then bring them to the market after a few years".

Mr Azzoni says the new government set of ground rules is "a very positive step" for Italy's financial system, but warns that "the Italian merchant bank will more reemble a French *compagnie finanière*, which takes equity stakes, than a UK merchant bank or Wall Street investment bank."

Terminology aside, what are the goals of the commercial banks? Some financial analysts in Milan see the banks despairing at the process of disintermediation, which has seen funds flowing from customers' current accounts into the bourse, and also into unit trusts, in recent years.

Italian industry has been busy recapitalising itself by going directly to the equity market. The banks, which traditionally financed companies with loans, have been cut out.

The response from commercial banks has been twofold: first, to seek ways to move into equity trading (where they are the biggest players anyway) and thus save on stockbrokers' commissions.

In this area, the Banca Nazionale del Lavoro has triggered a war between brokers and banks with its recent introduction of computerised and continuous share trading. Sige, the merchant banking arm of the IMI state credit group, yesterday began making its own electronic market in the afternoon, this one geared mainly to London and New York institutional investors.

The second response from commercial banks to the disintermediation process has been to lobby Rome for a green light on the merchant banking front. The logic here would appear to be one of joining rather than beating the competition (from non-banks).

Whatever the politics of the matter, one thing seems clear: the Government's weekend decision marks a key step forward for a financial market which certainly wants to modernise – and in a hurry.

Mary Helen Spooner looks at the reaction to Chile's programme of state sell-offs

Pinochet pushes ahead with privatisations

GENERAL PINOCHET'S regime is pushing ahead with its privatisation programme amid mounting nationalistic protests from labour and opposition groups, and more measured criticism from some of its supporters. The programme, which is already under way, provides for the sale of shares in 23 state enterprises and a similar number of financially-troubled private companies under government administration.

The companies include the state steel company, the telecommunications company Entel, two electricity distribution companies, the power company Endesa, the nitrates company Soquimich, the pharmaceuticals company Laboratorio Chile, the telephone company and the state explosives company. The Chilean state development corporation Corfo, which oversees the privatisation programme, estimates that about $200m was raised from the sale of shares in these enterprises last year.

Chilean authorities say one of their goals is to broaden the base of property ownership, and employees in nine of the state companies up for sale have been encouraged to buy shares.

Labour leaders claim many of these employees have resold their shares to anonymous buyers. In one case, state electrical company workers were offered shares at a reduced pice but sold the shares on the Santiago stock exchange for a higher price, a few days later.

Some foreign companies have bought and sold shares in the Chilean state enterprises. Last year Austin Power, of the US, bought two-thirds of the shares in Enaex, the Chilean states explosives group, and recently announced it would sell most of this package to a Chilean concern.

Bankers Trust, a US bank, formed a joint venture with Chilean partners and bought the Pilmaiquen Hydroelectric complex in southern Chile. The bank took advantage of the central bank's foreign debt-to-equity plan and converted $21m of its own Chile loans to pesos to buy the enterprise.

The Pilmaiquen sale has become one of the focal points of the privatisation debate. The regime's former economy minister, Mr Raul Saez, who heads a committee to oppose the privatisation programme, calculates that the complex was sold at less than half its true value.


Gen Pinochet: facing opposition

The fact that Bankers Trust's Chilean partners in the venture include former officials who helped develop the Government's privatisation programme has also raised eyebrows. Defenders of the sale note that Bankers Trust offered the best price for the Pilmaiquen complex, and compare the presence of former economic officials in the venture to retired military officers going to work in defence industries.

"The value of an enterprise is determined by its income generating capacity and the risk associated with its operations, and not, as many have tried to establish, by the book value of its holdings," Mr Juan Carlos Delano, the Economy Minister, said.

All the state company sales had exceeded the minimum prices set by outside consultants and state company shares had, in the past few years done better in the stock market than the shares of most private companies.

Last month, a government advisory body, the Economic and Social Council, issued a document which supported in principle the privatisation programme but criticised the lack of information available to the public.

The council recommended that plans to privatise the telephone company, along with a handful of other "national monopolies" be postponed until it can be ensured that these enterprises will not eventually become privately-owned monopolies.

The council urged the authorities to establish tax incentives for newly-privatised companies to keep their shares on the stock market. It also urged the regime to reconcile its "efforts to attract foreign investment with the goal of broadening the base of private property among Chileans."

The state enterprises being privatised, along with the government-administered private companies, are conservatively estimated to account for a third of Chile's gross national product, making the sales an obvious source of public concern.

Nevertheless, if one adds the scope of these holdings to the few key state holdings which will not be privatised – such as the copper mining group Codelco – the Pinochet regime has enjoyed greater control over the economy than the Christian Democratic government which ruled from 1964 to 1970 and which expanded the state's economic activity.

"The regime will never, never denationalise Codelco," one diplomat in Santiago said. "That's its biggest source of revenue, the cash cow for the military."

Grumman income for year falls to $78.7m

By Our Financial Staff

GRUMMAN, the US military aircraft and defence equipment maker, lifted fourth-quarter net income by 7.4 per cent for the year. The total was down at $78.7m, from $81.5m a year ago, on sales of $3.5bn, compared with $3.1bn.

The group warns that for 1987 sales will be lower and income slightly down because deliveries of F-14 aircraft will fall to eight from the 24 delivered in 1986.

For the latest quarter income was ahead to $24.8m, from $23.1m on sales up about 12 per cent at $930.6m, compared with $831.9m.

On a per-share basis however earnings for the three months were down at 72 cents from 76 cents on enlarged capital, leaving the full-time figure down at $2.32, from $2.65 a year earlier.

Company-funded research and development costs were up $8.4m at $78.9m last year.

Snecma to reduce workforce after slide to breakeven

BY GEORGE GRAHAM IN PARIS

SNECMA, the French state-owned aircraft engine producer, came close to breakeven in 1986 on a turnover of over FFr 15bn ($2.4bn).

The company's civil aviation business developed but the military sector stagnated.

The fall to breakeven, after net consolidated profits of FFr 111m in 1985, has prompted SNECMA to cut its 26,000 workforce by 800 this year.

The cuts will come mainly at two of SNECMA's subsidiaries, Messier-Hispano-Bugatti, which specialises in producing aircraft landing systems, and Hispano-Suiza, which makes aircraft and motor components and industrial turbines

However, SNECMA said, it had taken FFr 15.8bn of orders in 1986 so that prospects for the group's workload in 1987 were not "globally preoccupying."

The results of the Snecma parent company, which accounted for FFr 77bn of the group's FFr 111bn of profits in 1985, are expected to have been close to break-even point in 1986.

Turnover rose to more than FFr 10bn, from FFr 9.4bn in 1985, with the share accounted for by exports rising from 78 per cent to 80 per cent. Sales denominated in US dollars rose by 20 per cent to $850m.

New orders booked in 1986 reached FFr 10.5bn at the parent company – back to the level of 1984 after 1985's exceptionally high FFr 14bn. Some 68 per cent of the orders were for export.

Société Européenne de Propulsion, the rocket motor company in which Snecma controls 50.1 per cent, increased sales by 13 per cent last year to FFr 2.6bn.

Sales this year are expected to pick up as the Ariane European satellite launching programme restarts after a failure last year put a halt to new launches.

Biotech investment group to be privatised

BY TIM DICKSON IN BRUSSELS

A BELGIAN company which specialises in biotechnology investment is about to be privatised as the result of a BFr 460m ($12m) placing masterminded by Générale de Banque.

The placing will increase private-sector shareholdings in the company – Compagnie de Developpement des Agro-Industries et des Biotechnologies (CDAB) – from 25 per cent to 51 per cent.

CDAB was set up in 1982 with capital from the Société Regionale d'Investissement de Wallonie (SRIW), a public-sector development agency established in 1978 for the southern, French-speaking area of Belgium. Conceived as part of an overall strategy by Wallonia to breathe new life into its struggling economy through the creation of new, high technology industries, CDAB's aims have included fostering of co-operation between universities, financing new biotechnology projects and encouraging an international outlook.

CDAB's potential has already attracted private-sector shareholders, among them Raffinerie Tirlemontoise, a leading Belgian sugar company; Vista Venture, a British venture capital group in which BP is an investor; Prominvest, which is part of Groupe Bruxelles-Lambert; and Copadi, part of Groupe La Farge-Coppee linked to Credit Agricole. Between them these participants own 25 per cent of CDAB's equity.

Générale de Banque, which is underwriting the operation, says the shares are likely to end up with a combination of new and existing shareholders.

CDAB has stakes in three biotechnology businesses – Ire-Medgenix and Ire-Celltarg in the field of human health diagnosis and the newly created Phytotec, devoted to the upgrading of high value-added plants. It is setting up a fourth plant.

Between them Medgenix and Celltarg had turnover of about BFr 1bn in 1986, but a Générale de Banque official said it was "too early" to report profits.

Alfa-Laval buys Technicon

BY SARA WEBB IN STOCKHOLM

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, has bought Technicon, the industrial systems division of Cooper Technicon, a US high-technology company, for about $50m. Alfa says the acquisition will help to strengthen its position in the food analysis industry.

Technicon specialises in equipment for wet chemical analysis and near infra-red spectroscopy, a field which Alfa-Laval was keen to enter.

Near infra-red spectroscopy makes it possible to measure the amounts of various ingredients in food such as fats, proteins, and salts, with the advantage that it can be used for the continuous monitoring of food processes. Mr Lars Hallden, a senior executive, said: "It is a new method for us and we believe it has great potential."

Alfa-Laval aready produces wet chemical-analysis equipment at its West German subsidiary, Bran & Lubbe.

The Technicon group has annual sales of $50m, and the acquisition is estimated to increase Alfa-Laval's turnover by about 4 per cent. Group turnover in 1986 was about SKr 10bn ($1.5bn).

Liffe and CBOT respond to end-user pressure

BY ALEXANDER NICOLL,

"AN ACT of faith" was the description given yesterday by Mr Michael Jenkins, chief executive of the London International Financial Futures Exchange (Liffe), of plans announced yesterday for what could prove a historic link with the Chicago Board of Trade (CBOT).

That faith, on the part of both participants, is that the link will produce greater volume for all rather than sapping the liquidity of one.

The fact that both exchanges should have shelved previous suspicions of linkages, and opted for what is the most extensive association yet contemplated, is testimony to the fundamental changes which have been occurring both globally and within the individual markets.

The most obvious effect, which will still take over six months to accomplish after further negotiations and regulatory processes on both sides of the Atlantic, will be to make fungible, or interchangeable, US Treasury bond futures, the world's most liquid futures contract.

Since Liffe already has fungibility with the Sydney Futures Exchange, the end result will be a globally traded contract of vital importance to participants in the round-the-world US government securities market.

Since the link will potentially cover every financial contract traded by each exchange, there are other ramifications. In addition to plans already announced for fungible yen bond and Eurobond contracts, there are prospects for Financial Times-Stock Exchange 100 Index and UK government bond futures contracts being launched in Chicago, and US Treasury note futures contracts in London.

The link could give both exchanges the chance to spur their currency contracts, in which both have lagged well behind the market leaders.

Mr Brian Williamson, chairman of Liffe

More fundamentally, the link represents the exchanges' response to pressure from their end-users, which increasingly are the world's largest securities firms, to reduce transaction costs. With the facility to open a position in London (or Sydney) and close it in Chicago, a securities firm can avoid the double transaction and margin costs which such a double would normally incur. The CBOT and Liffe have some 30 common clearing members which can benefit substantially from the mutual offset link.

Exchanges increasingly fear that unless they can provide these basic services to their main customers in the most efficient and least costly way, those customers will simply find some other way to trade: off-exchange trading is a threat ever lurking in the background, particularly in the US.

The two exchanges each have their own motives, too. The membership of the CBOT, which includes many "locals," has long been suspicious of any foreign link, and particularly of one which might threaten the liquidity of US Treasury bond futures, which have become its mainstay amid the decline of agricultural commodity futures.

The balance of power has shifted, however, within the exchange towards the securities firms.

The CBOT as a whole has now accepted that it cannot ignore international trade—given that there are huge underlying markets in US Treasury bonds outside the US—and is indeed launching a drive for Pacific business with a plan for an evening trading session. Ironically, this will compete with the Sydney exchange, with which it is now indirectly forging a link.

Liffe's priorities have also shifted. In the early years after its foundation in 1982, Liffe naturally needed to establish itself as an entity in its own right.

Mr Brian Williamson, Liffe chairman, was at pains to stress yesterday that the CBOT link would not compromise Liffe's independence.

Liffe, too, needs to respond to the needs of its customers, and also to represent those customers in bringing about important structural changes in the markets. Its plans for a link with clearing arrangements at their heart come at a time when the International Commodities Clearing House, which clears the London futures markets, is undergoing a sweeping review of its ownership and functions, brought about partly by pressure from Liffe. The outcome of that review will clearly tie in closely with the link announced yesterday.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅝ 93	100	*†98⅝	98⅞	0	0	7.94
A/S Eksportfinans 7⅝ 93	100	99⅝	100⅛	−0⅛	0	7.64
Australia Com. 11 95	200	116⅛	116⅝	−0¼	−0⅛	8.19
Australia Com. 11¼ 00	100	116¼	116¾	−0⅛	−0⅛	9.05
BP Capital 9⅛ 94	100	106⅜	106⅞	−0⅛	0	7.87
British Telecom 7⅝ 96	250	97⅝	98⅛	−0⅛	0	7.94
Campbell Soup 10½ 95	100	113⅜	113⅞	−0⅛	0	8.21
Canada 9 96	1000	107⅝	108⅛	−0⅛	0	7.75
Canadian Pac. 10¼ 93	100	109¼	109¾	0	0	8.72
CCCE 7⅛ 91	113	99¼	99½	−0¼	−0¼	7.31
CNCA 7⅛ 91	150	99⅝	100⅛	0	+0¼	7.27
Citicorp 8¼ 93	200	97⅞	98⅜	−0⅛	−0⅛	8.62
Credit Lyonnais 9 91	200	105⅛	105⅝	−0⅛	−0⅛	7.41
Credit National 9⅛ 93	150	106⅛	106⅝	−0⅛	0	7.76
Credit National 7¼ 91	150	99⅝	100⅛	−0⅛	−0⅛	7.27
Denmark Kingdom 7⅛ 92	500	98¼	98½	—	—	7.55
Denmark Kingdom 8¼ 91	300	102⅞	103¼	−0¼	0	7.47
EEC 7 91	100	99¼	99¾	0	+0⅛	7.12
EEC 8¼ 96	100	103⅝	104⅛	−0¼	0	7.64
EEC 8⅝ 91	150	105⅛	106⅛	0	+0⅛	6.90
EIB 7⅝ 93 B	100	100	100½	−0¼	0	7.57
EIB 7⅝ 93 A	100	100¼	100¾	−0¼	0	7.52
Eurofima 7¾ 91	100	101¾	102¼	−0⅛	0	7.19
Finland 7¾ 97	100	100	100⅛	—	—	7.86
Finland 7½ 93	200	99⅜	99⅞	−0¼	+0⅛	7.56
Ford Motor Cred. 10½ 91	150	110⅛	110⅝	−0¼	−0⅛	7.72
Ford Motor Cred. 11⅝ 90	100	110⅝	111⅛	−0⅛	+0⅛	7.24
Gen. Elec. Cred. 10¼ 00	200	106¼	106¾	−0¼	0	9.36
GMAC 10¼ 89	200	106¾	107¼	−0¼	−0⅛	6.65
GMAC 8½ 93	200	103⅝	104⅛	−0⅛	+0⅛	7.69
IADB 9¾ 95	200	112⅝	113⅛	−0¼	−0⅛	7.80
Liberty Mutual 8½ 96	150	102⅞	103⅜	−0¼	0	8.09
LTCB of Japan 8 91	100	102¼	102¾	−0¼	−0¼	7.31
Merrill Lynch 8¾ 91	100	103⅞	104⅜	−0¼	+0¼	7.68
Mercds.-Benz Cred. 7½ 93	100	100¾	101¼	−0¼	0	7.29
Mitsubishi Fin. 7⅞ 93	100	99¾	100¼	−0⅛	−0⅛	7.87
Mutual America 7⅝ 92	100	100	100⅜	−0⅛	−0¼	7.59
Norway Kingdom 7¼ 91	500	100	100½	−0⅛	+0⅛	7.17
Pepsico Inc. 7⅛ 93	200	99⅜	99⅞	−0⅛	+0⅛	7.65
Qantas Airways 10⅜ 95	140	112⅞	113⅜	−0¼	0	8.14
Queensland Govt. 10¼ 95	100	111½	112	−0⅛	+0¼	9.28
Ralston Purina 11¼ 95	150	†115⅝	116⅛	−0⅛	+0⅛	8.53
Saab Scania 9½ 91	125	105½	106	−0⅛	−0¼	7.78
Saskatchewan 10¼ 92	100	112¼	113¼	−0⅛	+0⅛	7.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland 8⅛ 92	150	†108	108½	−0⅛	−0⅛	6.23
I/S Elsam 6⅞ 93	125	*†101¼	101¾	0	−0¼	6.51
Korea Dev. Bank 6⅞ 93	100	†100½	101½	0	+1	6.42
Mitsubishi M. 3½ 89 WW	100	†105½	106½	+0¼	−0¼	0.99
Mitsubishi M. 3½ 89 XW	100	†95	95½	0	−0¼	4.94
Renfe 7⅛ 95	100	†102	102½	−0½	−0¼	7.37
Soc. Cent. Nuclear 7¼ 95	150	†102	102½	0	−0⅛	6.88
Soc. Cent. Nuclear 8 91	100	†106¼	107¼	−1⅛	−2	6.06
Steweag 5½ 96	100	†99¼	99¾	0	−0⅛	6.43
World Bank 7 95	600	†105⅛	105⅝	+0⅛	+0⅛	6.12
Yorkshire Intl. 6¼ 01	200	*†92¼	92¾	0	−0½	7.12

Average price change on day +0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	*†103⅛	103⅝	0	+0½	5.19
Amer. Corp. 5¾ 01	200	†91¼	92	0	0	6.12
Baker Int. 4⅛ 96	200	*†89⅛	89⅝	0	0	5.65
Carlsberg 5 96	80	†102¾	103	+0⅛	−0¼	4.61
Chujitsuya 5¼ 94	50	†102¼	102½	+0¼	+0½	4.98
Deutsche Bk. Fin. 5⅜ 95	100	†107¼	107½	+0¼	+0¼	−4.26
Gen. Occidentale 4½ 94	80	†150	151	−0⅛	+0⅛	−1.51
Glendale F. S. & L. 5½ 95	100	†102½	102¾	+0⅛	+0¼	5.11
Humana 5⅛ 98	120	†96¾	97¼	−0⅛	+0⅛	5.46
Industrial Credit 5¼ 96	75	*†102	102	0	+2⅛	5.48
Japan Dev. Bk. 5⅛ 97	200	†103½	104⅛	−0½	−0½	4.65
Oberos. Ktwk. 5⅜ 95	100	†104	104¼	+0¼	+0⅛	4.74
Olivetti Intl. 5½ 95	100	†105	105¼	+0½	+2	4.75
Pepsico 5¼ 95	130	†104	104¼	0	−0⅛	4.62
Prov. of Manitoba 4¾ 94	200	†103¾	102	0	0	4.46
Ralston Purina 5⅜ 94	125	*†103¼	103¼	0	+2⅛	4.86
Setsu Euro. 0 01	100	*†47⅛	47⅛	0	−0¼	5.49
Tohoku Elec. Pwr. 4⅞ 96	150	†100	100¼	+0¼	−0¼	4.86
USX Corpn. 5¼ 98	100	†95½	95¾	+1½	+2	6.29
World Bank 5¼ 94	150	†105½	106	+0¼	−0½	4.85

Average price change on day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 91	20	103⅝	104	0	+0¼	4.89
Denmark 6⅛ 96	10	107	107½	+0½	+1⅛	5.35
Denmark, Kingdom 5⅛ 92	130	100⅞	101¼	+0¼	−0¼	4.86
GMAC 5⅝ 91	60	102¼	102½	+0⅛	+1¼	4.81
EIB 6⅛ 96	25	105¾	106¼	+0¼	+1	5.28
Sweden, Kingdom 5⅝ 95	20	102⅞	103⅜	+0½	+1¼	5.16

Average price change on day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AB Electrolux 14½ 90 A$	50	98¾	99¼	−0¼	−1	14.48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fanuc 3¾ 98	1/84	4277	†229	231	−1	20.57
Fuji Bank 2¾ 00	10/85	1623	253¼	255¼	−3¼	0.75
Fuji Heavy Industries 3 00	8/85	676	†106½	107½	−1	2.17
Fujitsu 3 99	5/84	1109	128⅞	130¼	+0¼	1.48
Mitsubishi Bank 2⅞ 00	8/85	1715	238	240	+3¼	3.44
Mitsubishi Trust 2½ 01	5/86	1600	256⅞	258⅞	+8⅞	−7.82
Mitsui Bank 2⅝ 01	4/86	1819	188¼	190¼	+0⅞	−1.10
Mitsui Trust 2⅞ 01	10/86	1990	138¾	139⅞	+3⅞	5.81
Murata 3½ 00	7/84	2998	182	184	+1	−1.64
Nippon Elec. 2⅞ 00	1/85	1295	255⅝	257⅝	−1	236.47
Nippon Oil Co. 3 00	5/85	923	212	214	+2	−1.72
OKI Elec. Ind. 3½ 99	10/84	805	†127	128½	−0⅞	−1.38
Sanwa Bank 2¾ 00	10/85	1442	253	255	−0¼	−0.35
Sumitomo Bank 2¾ 00	8/85	2142	244¼	246¼	+3⅛	5.85
Toshiba Ceramics 3 00	4/85	1734	120¾	122	−0⅜	7.62
Nippon Oil Co. 2⅛ 92 SFr	3/84	1081	*†127	127	0	−3.76
Yokohama Bank of 2⅞ 01	10/86	1045	142¼	144¼	−5¼	−3.68

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

Japanese investment fund rules relaxed

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance has unveiled new guidelines for investment management companies, permitting them to manage customers' funds on a discretionary basis.

Investment managers are now seeking to register under the Investment Advisory Law, put into force last October to protect individual investors from unscrupulous investment consultants, and will apply for their licences after registration is complete.

The law is expected to pave the way for Tokyo to develop into an international centre for fund management in rivalry to New York and London, and to prevent any recurrence of the occasional scandals which have plagued the Japanese investment business in the past.

Under the MoF's guidelines, any company must have Y100m ($650,000) or more in capital and net assets to be eligible for a discretionary investment management licence. It must also ensure that new business would produce a profit within three business years.

Projected investment management contracts (assets) with customers must reach at least Y20bn within a relatively short period after a licence is granted. The minimum size of an account is set at Y100m for a customer.

Subsidiaries or branches of foreign-owned investment advisory companies will be eligible for the business if their parent companies have Y100m worth or more of contracts under management, even though they may fail individually to meet the guidelines.

The guidelines require every advisory company to have at least two fund managers, yet the authorities may allow a foreign company to have only one fund manager, if its parent company operates a centralised fund management system outside Japan and can thus send in additional fund managers if they are needed.

MoF considers further interest rate decontrol

By Our Financial Staff

THE JAPANESE Ministry of Finance is considering further relaxations of interest rate controls, as part of a process that may in time bring greater liquidity to the money markets and force banks in Japan to compete more aggressively for funds.

The MoF is looking at ways of easing minimum deposit restrictions and of extending the maturity periods of one-month to one-year money market certificates (MMCs).

The proposed changes are still under study, but officials said approval could come this spring. Together with large-denomination bank deposits and certificates of deposit, MMCs represent the only way open to banks in Japan to compete for funds by setting their own interest rates, free of official controls.

The proposed changes involve lowering the minimum deposit required for the certificates to Y20m from Y30m. The MoF is also considering extending the maturity of the instruments from a current one-month minimum, one-year maximum, to a one-month minimum, new two-year maximum.

Murdoch's UK unit in £60m share offering

By Our Euromarkets Editor

NEWS INTERNATIONAL, the UK subsidiary of Mr Rupert Murdoch's News Corporation, yesterday launched an international share offering raising just over £60m ($90m) to help refinance debt.

The offering of 2.7m special dividend shares is being led by Credit Suisse First Boston with Cazenove and Deutsche Bank Capital Markets as co-lead managers. The non-voting shares, which were quoted yesterday at £22.75, will be priced at the closing middle market price on Friday.

Of 39.8m special dividend shares in issue up to now, News Corporation owns 34.9m and the remainder are closely held. The new shares will thus substantially broaden the shareholder base of the company. The shares entitle holders to a net dividend in sterling equivalent to the dividend paid on four News Corporation ordinary shares.

Among the debt which the group could partially refinance with proceeds from the issue is the outstanding amount of a $1.1bn high-yielding preference share issue used to fund the acquisition of the US Metromedia group.

See Lex

Eurosterling deals dominate trading

BY CLARE PEARSON

NEW EUROSTERLING DEALS dominated an active new issues market yesterday as borrowers rushed to take advantage of the recent strength of both the UK government bond and equity markets.

Both equity-linked Eurosterling bonds, which were for the UK companies Redland, the aggregates and building materials company, and Asda-MFI, the food and furniture retailing concern, were in strong demand throughout the day. Yesterday's four straight fixed-rate bonds, however, came under pressure as the gilt market weakened.

Two UK building societies—the Halifax and the Alliance & Leicester—borrowed fixed-rate sterling.

The Halifax issued a £100m 10-year 10⅜ per cent deal led by Morgan Grenfell that was priced at 100⅞ to give an initial yield of 15 basis points over the comparable gilt. Later Bankers Trust International led a £40m five-year 10¼ per cent bond, priced at 101¼, for the Alliance & Leicester.

Halifax's issue looked reasonably priced although it suffered as the day progressed. But the Alliance & Leicester's bond was seen as aggressive. Both deals were quoted at levels outside their total fees.

Kleinwort Benson's £500m five-year 10¼ per cent bond for Banque Indosuez was also under pressure yesterday. The deal, priced at 101¼, was quoted at 99⅝, against 1⅞ per cent fees.

But Kleinwort's £50m 10 per cent five-year bond for McDonalds seemed immune to the overall weakness in the market, as McDonalds is a name well-liked by Continental investors. Priced at 101, it was quoted at 99¼ bid, within 1⅞ per cent fees.

Elsewhere, the convertible issues for Redland and Asda-MFI were both quoted at premiums to issue price, buoyed up by the enthusiasm created by the strong gains posted by the UK equity market recently.

Asda-MFI's offering was generating enthusiasm from Switzerland yesterday as its launch coincided with a series of investor presentations in Zurich and Geneva.

The £100m deal, led by Credit Suisse First Boston, has a 15-year maturity and an indicated 5 per cent coupon. The conversion price is expected to be set at between 6 and 10 per cent over the share price when the terms are fixed on or before February 13.

It is callable at 106, and then at declining premiums, and may also be put by the investor after five years to give a yield of about 9.25 per cent.

Redland's £60m 15-year convertible did not incorporate a put option, but the coupon was 2¼ percentage points higher than that of Asda-MFI's bond, at an indicated 7¼ per cent. The indicated conversion premium was between 7 and 12 per cent, with final terms expected to be fixed on Friday. Baring Brothers led the issue.

Redland is swapping the proceeds into dollars for five years to refinance existing short-term dollar debt. In five years' time, when the swaps unwind, the company intends to use the resulting sterling to repay its £60m zero-coupon bond—which matures in 1992.

The three fixed-rate Eurosterling deals launched last Friday were quoted at lower prices yesterday. The £70m 10-year bond for CNT was bid at a discount of 1.90 points to its issue price.

The fall in the dollar sent prices of seasoned Eurodollar bonds falling, with most recent deals coming under pressure. Nevertheless, a few new deals emerged yesterday.

But Merrill Lynch Capital Market's $150m deal for Cargill, the privately-owned US commodity company, met a fair reception as it was priced to yield 110 basis points over US Treasury bonds. The 10-year 8¼ per cent bond has an issue price of 100⅞.

INTERNATIONAL BONDS

Daiwa Europe led a $100m five-year 7⅞ per cent bond, priced at 101⅞, for Daiwa Europe NV, guaranteed by the parent Daiwa Securities.

Another A$50m offering was added to the already overloaded Australian dollar sector when Goldman Sachas International led a three-year deal for Banco di Roma yesterday. The lead-manager said that syndication had been slow although the 15 per cent coupon should be attractive to retail investors. The deal was priced at 101⅞.

Elsewhere, Kredietbank led an Ecu 75m bond for the City of Copenhagen, priced at 100⅞. The issue has a final maturity i n10 years' time, but there is a sinking fund after four years to give an average life of 7½ years.

The issue's 8 per cent coupon ensured it a firm response from Continental retail and institutional investors. It was quoted at levels close to its 2 per cent fees.

Credit Lyonnais meanwhile led an Ecu 100m bond for Credit National. The three-year deal bears a 7⅞ per cent coupon and a 101⅞ issue price.

Prices in the D-Mark market were broadly unchanged in low activity. The recent convertible bond for Elders was quoted at 99⅞, against a par issue price. nad-Urt tsdeech'albv7khrt ... ? Westland-Utrecht's deal was bid at a discount of three points to its 101⅞ issue price.

CFSB-Effectenbank led a DM 100m seven-year 5⅞ per cent bond for Black and Decker, the US power tools company, priced at 100⅞. The deal is callable after five years at 101, and then at declining premiums.

The issue, which was seen as tightly priced, was quoted at a discount of 2⅞ points to issue price. Fees totalled 2⅞ per cent.

In Switzerland, activity was low and dealers said the market had become weighed down by recent issues with relatively low coupons. Equity-linked bonds, however, were attracting more attention.

The SFr 100m 10-year 4½ per cent issue for the City of Kobe was quoted at a bid price at 98⅞, against a 100¼ issue price.

Chubu Electric Power's recent SFr 200m 10-year 4⅞ per cent bond closed its first day's trading at 98½, compared with a 99⅞ issue price. Meanwhile, Finnish Real Estate's SFr 150m 4⅞ per cent bond, which matures in 1993, closed at 99⅞, against a 100⅞ issue price.

Swiss Bank Corporation led a SFr 100m 10-year bond for Industrial Development Bank of India. The 5⅞ per cent bond was priced at par.

Union Bank of Switzerland announced a SFr 150m deal for Asian Development Bank with an indicated 4⅞ per cent coupon.

Hong Kong to lift minimum denomination for CP

BY KEVIN HAMLIN IN HONG KONG

HONG KONG is to increase the minimum denomination for commercial paper instruments from the current HK$500,000 to an unspecified figure, in a move aimed at keeping smaller investors out of the market.

Mr David Nendick, Secretary for Monetary Affairs, said there are also plans to reduce the HK$500,000 minimum for certificates of deposit (CDs) because these are considered by securities supervisors to be similar to bank deposits.

These changes will be made under amendments to the Protection of Investors Ordinance now being drafted. The Government plans to have the bill approved by the Legislative Council before July.

The minimum denomination for commercial paper in Hong Kong is low compared with other countries. In Britain the minimum is £5m.

UK guarantee for Gefco fixed-rate Eurobond

BY OUR EUROMARKETS STAFF

THE UK Government lent its guarantee to a fixed-rate Eurobond for the first time since 1977 yesterday when a $150m deal was launched for Guaranteed Export Finance Corporation (Gefco), a company set up last year and sponsored by Lloyds Merchant Bank to participate in loans supported by the Export Credits Guarantee Department (ECGD), the UK Government's export financing arm.

The proceeds of yesterday's issue were earmarked for refinancing borrowings incurred to make loans to Yugoslavia and the Philippines.

The rarity value of the Government guarantee, made through ECGD, enabled the 10-year issue to be very finely priced. At launch it provided a yield of just 46 points over US Treasury bonds.

See Lex

INTERNATIONAL COMPANIES and FINANCE

Murdoch pulls out of Australian broadcasting

BY CHRIS SHERWELL IN SYDNEY

MR RUPERT MURDOCH'S News Corporation yesterday agreed to sell its Australian television and radio interests and three newspapers in a A$842m (US$563.5m) cash transaction which broadly settles the shape of the country's restructured media industry.

The deal introduces a major new player to the national media ownership scene—Westfield Capital Corporation, the entepreneurial arm of the Sydney-based Westfield property group. The company will hold the assets through Northern Star Holdings, a provincial media group.

Details of yesterday's transaction followed last Friday's separate compromise paving the way for Mr Murdoch to secure the principal newspaper interests in the Melbourne-based Herald and Weekly Times (HWT).

HWT, after a quick auction of its electronic assets, announced it would sell its television and radio interests to John Fairfax, the Sydney media group, and to Mr Kerry Stokes, a Perth-based entrepreneur, for a total of A$450m.

Together, the two sets of transactions leave Mr Murdoch with no television or radio interests in Australia. They therefore seem likely to halt inquiries by the Australian broadcasting Tribunal into Mr Murdoch's ownership of television stations.

Yesterday's newspaper sales also mean Mr Murdoch has complied with requests from the Trade Practices Commission to sell certain titles in Brisbane and Adelaide should he acquire HWT. The antitrust agency had insisted on this to prevent his dominance of those advertising markets.

Mr Murdoch is now Australia's biggest press baron, having successfully prevented his principal rivals, Mr Robert Holmes à Court and the Fairfax group, securing control of HWT in a battle which began in early December.

Mr Murdoch offered A$2.3bn last month for HWT, outbidding Mr Holmes à Court. The two men reached a deal giving Mr Holmes à Court HWT's Melbourne television station and its West Australian newspapers, but the Fairfax group challenged Mr Murdoch's offer in court and made its own A$2.5bn bid for HWT.

HWT's auction successfully headed off a protracted legal fight, and yesterday's announcement reflected the final acknowledgement by Mr Murdoch that he could not hold on to his existing television stations. Current regulations prevent foreigners holding more than 15 per cent of broadcasting licences.

Under the terms of the latest deal, Westfield Capital will acquire the two Channel Ten television stations in Sydney and Melbourne, three Queensland radio stations, one *Adelaide and two Brisbane* newspapers, and Festival Records.

Westfield had already announced it would be buying two of the radio stations. The purchase of a further station and of the newspapers — the Daily and Sunday Sun of Brisbane and the Adelaide News—still remains dependent on News Corporation acquiring HWT.

To help pay for the deal, Westfield will make a two-for-five rights issue at A$1.70 a share to raise around A$200m. Mr David Gonski, its managing director, said the group would then have enough resources to complete the acquisition.

Westfield says it will offer the assets to Northern Star Holdings, in which it currently has a stake of 20 per cent. The arrangement is conditional on Northern Star offering Westfield sufficient shares to increase its holding to 50 per cent.

Northern Star's board has already agreed to this, and yesterday its directors said they were confident of winning shareholder approval. Westfield says it will itself make the acquisition if approval is refused.

Before placing shares with Westfield, Northern Star plans to sell 15 per cent of its television operation to raise A$130m. After the placement it says it will make a "big issue" to shareholders. Ultimately Westfield will end up with 45 per cent of Northern Star.

Northern Star currently has a market capitalisation of about A$200m. It owns two television stations and three radio stations.

See Lex

Renouf near bid for US property group

By Our Financial Staff

RENOUF CORPORATION, the New Zealand investment company headed by Sir Francis Renouf, is close to making a $178.1m bid for Benequity Holdings, a California property partnership, which would have the backing of the target group's board.

Benequity, formed two years ago to take over the assets of the liquidated Beneficial Standard, said in Los Angeles it had agreed a February 20 deadline for Renouf to make an increased *$31-per-unit offer or* end its present partial bid.

The anouncement was one of a series of moves announced yesterday affecting Renouf, which has interests in finance, property and manufacturing. These primarily involve a reshape of holdings which link it to Ariadne Australia, the main investment vehicle of Mr Bruce Judge.

Ariadne is reducing its stake in Renouf to 18 per cent from 49 per cent.

Renouf is meanwhile to lift its stake in the Hong Kong-based Impala Pacific from 20 per cent to 34 per cent, matching the Ariadne holding in Impala.

Buying imbalance prevents NTT trading

BY CARLA RAPOPORT IN TOKYO

AN ENORMOUS rush to buy shares in Nippon Telegraph and Telephone (NTT), Japan's first privatisation issue, yesterday left the shares unquoted on Japan's three main stock exchanges.

The NTT shares, sold by the Government at Y1.18m ($7,662) each, ended the day at a bid price of Y1.4m but stock exchange officials refused to make an official price because the maximum allowable single-day gain for the shares is Y200,000.

NTT buy orders in Tokyo surged to nearly 500,000 by the day's end, against sell orders for just 37,618. Brokers say they expect the bid price today to reach as high as Y1.6m.

The Ministry of Finance tried to restore order to the stock yesterday by releasing some 100,000 shares it had lent to 19 securities houses in order to cool down the buying binge. This had little effect, however, as institutions continued to weigh in for their share of the stock.

Most of the holders of the first tranche of NTT shares are individuals. As NTT is expected to make up 10 per cent of the market value of the Tokyo Stock Exchange when it is listed, institutions are extremely eager to weight their portfolios with a healthy slice of NTT shares.

Armed with this knowledge, brokers are advising their clients with NTT shares to hold on for the best price.

The stock is expected to open at a bid price of Y1.42m today, and the Tokyo exchange says it will not accept buy orders unless these give a specific price. Settlement for deals which do go through must be made in cash—the market's usual four-day grace period has been suspended.

MPH resignations likely after co-ops row

BY WONG SULONG IN KUALA LUMPUR

A MAJOR disagreement has surfaced between the board of Multi-Purpose Holdings (MPH), the investment arm of the Malaysian Chinese Association, and the politicians in the MCA itself which is the Chinese partner in the Malay-dominated Malaysian Government. The friction is expected to lead to mass resignations from the MPH board.

Datuk Lee San Choon, executive chairman of MPH, as well as several other directors are believed to have informed the MCA leaders of their intention to resign, but have been told to stay on until the party finds suitable replacements for the diversified group.

According to officials both in MPH and the MCA, Datuk Lee was angered by the MCA's inability to stop Koopperative Sergaguna Malaysia (KSM) from being placed in receivership last month. KSM controls 41 per cent of MPH, and Datuk Lee and the board feel the Chinese community would lose control of MPH under the receivership.

KSM was among the 22 deposit-taking co-operatives which were placed under receivership by Bank Negara, the central bank, following a major scandal in which the 580,000 depositors lost more than 700m ringgit ($280m) through alleged corruption among the co-op officials and speculation in the share and property markets.

Datuk Lee, as MCA president in the 1970s and early 1980s, played a major role in starting MPH and KSM as corporate vehicles to protect Chinese economic interests against the spate of Malay acquisitions sponsored by the Government in furtherance of its New Economic Policy.

MPH controls such publicly listed companies as Dunlop Estates, with 76,000 acres of plantations; Bandaraya Developments, a major property company; Malaysian French Bank; and Magnum Corporation, which runs a lucrative lottery.

However, MPH incurred heavy losses because of its investments in Promptship, a *Hong Kong shipping company*, and its trading activities under Mulpha Holdings.

In 1985, MPH had a net loss of 191m ringgit. Its shares are currently traded at 70 cents, below their 1 ringgit par value and giving it a market capitalisation of 525m ringgit.

Last Friday, a group of 90 directors and managers of the co-operatives met MCA leaders, and demanded the party take a tougher stand in the Cabinet to find a solution to the co-operatives fiasco, or run the risk of losing the support of the Chinese.

The co-operatives under receivership want the Government to merge them under a co-operative bank and inject capital into it.

Some of the co-operatives *currently face the prospect of* being liquidated by the receivers, with depositors likely to get back less than 30 cents for every ringgit.

Dubai ready to wind up Wahab Galadari affairs

BY ANGELA DIXON IN DUBAI

THE DUBAI authorities have had the way cleared for the final winding up of the affairs of Mr Abdul Wahab Galadari, a prominent local financial, following a favourable ruling in a New York court last week.

A committee of receivers appointed in Dubai succeeded in its application for a stay of a $12m action brought by Drexel Burnham Lambert, the US investment bank, against Mr Galadari and his commodities firm.

In the absence of any general bankruptcy law in the United Arab Emirates, the Government of Dubai in April 1984 issued a decree appointment of Mr Galadari, whose businesses had encountered severe difficulties. By April last year, total claims had reached dirham 2.7bn ($735m).

The New York court decision is being seen in the Gulf as important, as it appears to vindicate both the decree and the operations of the committee as being fair and reasonable.

Drexel had begun its US proceedings for payment under a promissory note shortly before the committee of receivers was appointed. It alleged discrimination and unfairness, but Judge Motley, in a 57-page decision, dismissed Drexel's complaints.

The judge found no evidence of discrimination against foreign creditors and concluded that the bankruptcy decree and proceedings "are consonant with our notions of fairness and due process."

Mr Galadari's Dubai-based empire crashed in 1984, when Union Bank of the Middle East, which he largely owned, had to be rescued by the Dubai Government.

Pizza Hut deal for Jardine

JARDINE MATHESON, the Hong Kong trading house, has expanded its directly held consumer role by buying Pizza Hut restaurant franchises for Vancouver and most of the rest of British Columbia in Canada, and plans to buy the same franchises for the Australian states of Victoria and Tasmania, writes Kevin Hamlin in Hong Kong.

LAW

Bank's security valid after sham deal

BARCLAYS BANK PLC v WILLOWBROOK INTERNATIONAL LTD. AND OTHERS

Court of Appeal (Lord Justice Fox, Lord Justice Dillon and Lord Justice Russell): February 4 1987.

DEBTS CHARGED by the creditor to his bank as security for his overdraft are held on constructive trust for the bank when paid into his account elsewhere, and cannot validly be used, through artificial transactions, to redeem sub-mortgages executed by him as additional security in favour of the bank.

The Court of Appeal so held when allowing an appeal by the plaintiff, Barclays Bank Plc, from Mr Justice Walton's decision *(FT, July 9 1985)* dismissing its claim for a declaration that a secured debt owed by second and third defendants, Castle Hughes International Farms Ltd and Castle Hughes Farms Ltd ("the farm companies"), to the first defendant, Willowbrook International Ltd ("International"), and assigned by International to Barclays, remained outstanding.

LORD JUSTICE DILLON said the farm companies were two of a number of companies with which Mr George Hughes was associated. Others were International, now in receivership, Willowbrook Ghana Ltd in which International had a 45 per cent interest, and a Swiss company called Willowbrook AG. Mr Hughes was chairman of International and of the farm companies.

On January 26 1982 International and a number of other companies controlled by Mr Hughes entered into a group debenture in favour of Barclays to secure their indebtedness to the bank. By the group debenture each company, including International, charged to the bank all debts due to it from any of the other companies.

The debts charged included debts due to International from the Ghana company. At the date of the debenture at least £3.2m was due. Owing to exchange control difficulties in Ghana it could not be paid.

Following the practice in Ghana, the Ghana company deposited the amount of the debt in local currency with its bank which passed it on to the Bank of Ghana. The procedure was that actual payment of the debt to International would be deferred until the Bank of Ghana had sufficient appropriate foreign currency available which it was prepared to use to make the payment.

In addition to the group debenture, Barclays obtained further security for International's debt. On June 4 1982 the farm companies executed mortgages of their lands and stock in favour of International to secure existing indebtedness to International of £2.2m. On the same day International executed sub-mortgages under those mortgages in favour of Barclays.

Shortly after, Mr Hughes succeeded in arranging with Ghanaian officials for a large part of the Ghana company's outstanding debt to be repaid. He told Barclays, and it accepted, that this required the payment of bribes to unnamed Ghanaian officials, and that the money would therefore have to be routed through the Swiss company.

In fact, however, the moneys were paid in three tranches from Ghana to International's account with Standard Chartered Bank (SCB) at Leicester.

The scheme was that the amount of each tranche received by SCB was paid net of bank charges to the Swiss company, which purported to set off its own claims against it, and which then, by way of "loan" to the farm companies, drew a cheque in favour of Mr Hughes as their chairman. Mr Hughes endorsed it in favour of International, to clear the farm companies' debts to International. International then paid it into its overdrawn account with Barclays.

The purpose of the scheme was to use the moneys from the Ghana company, which were already charged to Barclays, to redeem International's sub-mortgages of the farm companies' land and stock.

It was a pre-arranged scheme. The documents were prepared in advance for use as each tranche of money came through. There was an artificiality in the passing of the money round from SCB, where it was held to the order of International, through the Swiss company and Mr Hughes, and back to International.

There was no objection to it in law. It had a commercial objective, from Mr Hughes's point of view, in his seeking to redeem the sub-mortgages out of moneys already specifically charged to Barclays by the group debenture.

Barclays argued that the farm companies paid the wrong person, International, their original creditor, whereas they should have paid Barclays as assignee of the debt originally due from them to International.

It was clear, however, that the moneys represented by the cheques reached Barclays, and that Barclays had the full benefit of them. Thus it had the money, and Mr Justice Walton rightly rejected the bank's argument on that ground.

He also rejected its contention on an alternative ground, which involved his finding that when the three payments reached Barclays, it had known that they were made by the farm companies.

There was no basis for that assumption. There was no evidence to suggest that anyone in the bank had information about the source of the moneys.

On the appeal Barclays was allowed to raise issues of law which had not been canvassed in the court below. Those were *inter alia* that a constructive trust for Barclays attached to the Ghana moneys subject to SCB bank charges, when those monies reached SCB; and that neither the Swiss company nor the farm companies were purchasers for value without notice of Barclays' interest under that constructive trust.

As the outstanding debt due to International from the Ghana company had been specifically charged to Barclays by the group debenture and International had, in the group debenture, expressly agreed to pay into its account with the bank all moneys which it might receive from that debt, International did hold each tranche of the Ghana moneys on a constructive trust for Barclays, subject to SCB's proper charges, as each tranche was received by SCB for International.

The farm companies were represented throughout by Mr Hughes, who had full notice of all that was happening and of Barclays' interest in the money.

There was no doubt, therefore, that the farm companies received the moneys from International with notice of Barclays' interest under the group debentures.

They, or Mr Hughes as the designated payee of the cheques, accordingly received the moneys on a constructive trust for the bank under the group debenture and so could not use them to pay off the farm companies' own indebtedness to International, which was secured by the mortgages to International, sub-mortgaged to Barclays.

The court was referred to the principle stated in *Snell's Equity 28th cd, p27* "... a purchaser with notice of an equitable interest will nevertheless not be *bound by it if he purchases* from a person who himself was a purchaser without notice."

That could not avail the farm companies since, even if the Swiss company was assumed to have been a purchaser for value without notice of Barclays's equitable interest, it never had freedom to deal with the moneys on its own. It was bound before it received each tranche, to pass the relevant amount on to the farm companies which had, through Mr Hughes, full notice throughout.

Mr Justice Walton said the transactions were proper transactions, not being in any way shams, or something other than they purported to be.

The supposed set-off by the Swiss company of its own claims against the money received from SCB, the supposed making by the Swiss company of a fresh loan on each occasion to the farm companies, and the supposed repayment by the farm companies of their indebtedness to International out of the loans thus made to them by the Swiss company, were a sham and of no legal effect.

Accordingly, the appeal should be allowed. The sub-mortgages remained valid and subsisting securities for repayment to Barclays of International's overdraft.

Lord Justice Russell and Lord Justice Fox agreed.

For the farm companies: Michael Brindle (Berwin Leighton).

For Barclays: Neville Thomas QC and David Ritchie (Durrant Piesse).

By Rachel Davies
Barrister

Oversubscription puts BA grey price above 100p

BY RICHARD TOMKINS

THE PRICE of British Airways' 65p partly-paid shares shot above 100p in the grey unofficial market yesterday following the news that the issue had been heavily oversubscribed.

Cleveland Securities, the licensed dealer which is making an unofficial market in the shares in advance of Stock Exchange dealings, was offering to buy at 98p and sell at 103p at the close.

The mid-price of 100½p compares with a figure of 89½p at Friday night's close. The 11p increase was triggered by the publication over the weekend of figures showing that response to British Airways' £900m offer for sale had been much stronger than expected.
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More than 1m individual investors aplied for the shares compared with the predicted figure of 500,000, and institutional investors put in aplications for more than £6bn worth of shares in addition to those they had been guaranteed in the pre-placing.

The oversubscription resulted in institutional investors receiving no shares in the UK public offering and having the value of their placing shares cut back from £406m to £325m.

Lord King, chairman of British Airways

The severe rationing of shares sought by the institutions is seen as likely to buoy demand and so drive up the opening price when dealings begin at 2.30 pm tomorrow.

However, some analysts believe there is a danger that if the figure went much beyond 100p demand could be killed and send the price falling.

Mr Alan Kelsey, an analyst at stockbrokers Kitcat & Aitken, pointed out that institutions had received relatively small allocations in the placing and might be tempted to divest altogether rather than pay an unrealistic price to build up their weighting to the required level.

"The price now has very little to do with the fundamentals of the situation. It is more a question of getting a weighting and trying to second-guess what the next man is doing."

● The Stock Exchange announced yesterday that traded options on British Airways' shares would be introduced tomorrow and trading would be extended until 5 pm for the first day only. This will bring the number of equity options available to 45.

January proved to be the best month so far in the market's history, with more than 900,000 options traded. Average daily volume was 43,086 compared with 14,571 in January 1986.

USM float for LSI subsidiary

BY TERRY POVEY

LSI Logic, the US-based specialist semiconductor manufacturing group, is planning to float shares in its European subsidiary on the UK's unlisted securities market.

A provisional target for the issue has been set for May, subject to Stock Exchange clearance. The company would not say yesterday how much it expected to raise from the offering, but it indicated that it would be aiming to sell about 10 per cent of the equity in the European operations, all in new shares. According to its unaudited figures, LSI Logic Europe achieved pre-tax profits of £4m on sales of £18m in 1986.

The decision to seek a public offering comes after an eventful year for the European company, during which it began construction of its first assembly plant at a site in Brunswig, West Ger.any.

Later in the year, the group reached agreement to take over the operation of a new semiconductor plant in the UK from STC, the telecommunications group which had hit financial problems. It is now leasing the 25m factory, at Foots Cray in Kent, where it is aiming to have a pilot production line in operation by the end of this year.

The LSI group is headed by Mr Wilf Corrigan, a colourful Liverpudlian who won his spurs in the semiconductor industry running Fairchild in the US. In its first years in operation, the company achieved spectacular gains, largely because it achieved an early lead in one of the fastest-developing sectors of the market.

Manufacturing semi-custom chips—semiconductors that are tailored for individual needs, but made by mass-production methods—LSI's sales jumped from $5m in 1982 to $194m last year. It was hit heavily, however, by the 1985 downturn in the industry. Net profits fell from their 1984 peak of $15.5m to $10m in 1985 and $4m last year.

Mr John Penney, European finance director, said yesterday that the company had decided to aim for a flotation this year because it would be needing capital to help fund its expansion, while the stock market now seemed to be moving in a more favourable direction for technology companies.

LSI Europe wanted to build up an independent identity in the European market, he said carrying out its own research and development locally.

The company's investment in West Germany, where it is aiming to begin chip assembly and test work in October, will stand at around DM 55m (£20m) by that time, while expenditure on equipment at the Foots Cray facility is expected to reach £10m this year.

WPP design expansion in £13m acquisition

By David Thomas

WPP, the fast growing marketing group, has strengthened its position in design by acquiring the Business Design Group, a privately owned company, for a maximum of £13.25m.

WPP said the acquisition would give it a sound basis to expand into design business in the US, where it was considering acquisitions. It would make WPP the largest design group in the UK, though still with less than 6 per cent of the highly fragmented market.

It placed 588,957 new ordinary shares yesterday, representing about 5 per cent of the enlarged capital, to raise about £4.8m to finance the initial part of the purchase.

The overall purchase price will be a maximum of £13.25m based on a multiple of ten times the average post-tax profits of Business Design for the three years ending May 31 1992.

On completion, £4m in cash and £700,000 in WPP ordinary shares will be paid to Business Design's owners. They will also be issued with new convertible B ordinary shares, which can be converted in six tranches into WPP ordinary depending on Business Design's profits in the period to 1992.

The B shares will also be convertible into a premium payment of a maximum of a further £2m in 1992, if Business Design's post-tax profits have grown at least 25 per cent a year compound over the five years to 1992.

Business Design's pre-tax profits are expected to be £E30,000 on sales of £6.7m for the year ending May 31, 1987.

Clients of Business Design, WPP's 13th acquisition in the last two years, include American Express, Barclays, Boots, BP, Dun & Bradstreet, IBM, Philips and Rank Xerox.

Mr Brian Key, chairman and chief shareholder of Business Design, together with other senior executives, are staying with WPP. Mr Key will join the board of Rasor Communications, the holding company which oversees WPP's marketing services in the UK.

James Buxton looks at Weir Group's recovery since its rescue

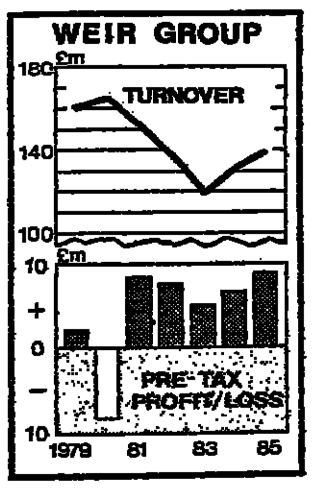
Pricing itself into markets

"I CAN make it for 100. Often my overseas competitors can only make it for 110 or 115."

The quotation is not the wrong way round. And it comes from the chief executive of a UK company in the often poorly-rated engineering sector. The competitors to whom he is referring are based in Japan, West Germany, France and the US.

The speaker was Mr Ron Garrick, 46-year-old managing director of the Weir Group, the Glasgow-based engineering concern, which exactly six years ago came close to going under and had to be rescued by its bankers and the Scottish Development Agency.

Mr Garrick took over at Weir in 1982 and now presides over a company that is considerably slimmer than before the 1981 rescue. The workforce, at 3,200, is about half; turnover, which stood at almost £140m in 1985 is, in real terms, only about 70 per cent of what it was at the beginning of the decade.



Mr Ron Garrick, managing director and chief executive of Weir Group

Weir is one of the few healthy survivors of the once-powerful Glasgow engineering companies. It is no longer interested in size, but prefers to concentrate on niche markets in what Mr Garrick calls the high quality, high technology end of engineering.

In pursuing that strategy Weir early last year made a bid for Yarrow, Glasgow-based engineering group which specialises in naval architecture and ticketing machinery. The attempt failed.

Since then, it has made a series of asset disposals totalling £31m—including its 28 per cent stake in Yarrow, which was sold for £8.3m giving a profit of £3.5m. Weir has not only reduced its debt but built up a cash surpluses of more than £17m. Bell Lawrie, Edinburgh stockbroker, expects pre-tax profits to reach £12m for last year, against £9m in 1985.

Its market capitalisation is about £65m and Mr Garrick says quietly: "We could effect a major acquisition at this point.

Weir's near disaster in 1981 was caused by a recession the effects of which were not realised soon enough within a flawed management structure. At that point the company, founded in 1872, had successfully moved out of the Clyde staple of marine engineering into three product lines: pumps, desalination and foundries.

Now the group looks very different. Last November Weir sold the main part of its foundry business to William Cook of Sheffield for £9.3m cash and sold its remaining foundry, Holbrook, to Cook a month later for £3.4m in the form of an interest-bearing loan note.

Weir foundries had become only barely profitable. "There is a living to be made in foundries," says Mr Garrick, "but it's an area of business that we would do well to get out of."

The desalination business, based on a technological breakthrough Weir made in the 1960s, is a shadow of its former self, as Japanese and South Korean companies have eaten into Weir's Middle East market. Mr Garrick calls it "a peaky and frothy market" which he hopes could yield new orders over the next five years as Gulf countries order replacement capacity. But some analysts question whether Weir will be able to repeat its technological advance in this field.

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That leaves pumps as Weir's principal manufacturing activity. Weir believes it has a unique range and strong share of the market for specialised pumps for such applications as nuclear and other power stations and oil production platforms, including a pump that can shift mixtures of oil and gas without having to separate them. It has £13.5m worth of provisional orders for the Sizewell B nuclear power station.

Weir expanded its core engineering business last summer by buying Tooling Products Holdings, a maker of high precision moulds for the motor industry, for £2.8m.

The other main activity is engineering services, companies which service and overhaul machinery, both its own and that of other companies—throughout the Middle East, in Britain, the North Sea, the Netherlands and Canada, where last November Weir acquired anther subsidiary.

To consolidate on these two areas, Weir last December sold its 35 per cent stake in the French company Delas-Weir, which makes heat exchange products and has a share of the French nuclear power plant market. Weir regarded it as a strikingly successful financial investment but one with few long-term prospects. There was no question of Weir supplying products to the patriotic French market. Weir sold for about £10m cash.

Analysts consider Weir to be a tightly-run ship. Mr Garrick believes that it has a highly-efficient manufacturing base, as well as a hunger to expand again in its preferred field of what a company official calls cerebral engineering.

"We are in the most productive position we've ever been in," he says. "Our working practices are as good as they ever have been and (having invested £13.5m since 1981) we are using much better equipment than you find in many US factories.

"We are winning orders in competition with our overseas competitors when we can compete on price, though we may not always be able to match the financial packages they can lay on."

When asked about Weir Group's next move Mr Garrick said: "If we made an acquisition it would inevitably be in the mechanical engineering field. The advantages that we have in the UK could all change —productivity, labour practices etc—so we are thinking of getting an overseas manufacturing base, which we've never had before.

"There's also a lot of scope for rationalisation of pump manufacturing in the UK and the US . . . " Understandably it is a subject on which Mr Garrick prefers to remain enigmatic.

C. H. Bailey looking to maintain profit recovery

C. H. Bailey, ship repairer and engineer, made a pre-tax profit of £118,846 in the half year to October 10 1986, against a restated £296,554 loss last time.

The company said yesterday that this omprovement might well be maintained for the second half.

Despite severe competition, engineering facilities continued to trade profitably and the improvement in recent years by the hotel in Malta had been maintained. However, as shipping remained depressed and exchange rates, which were fluctuating, had a material effect on results, it was difficult to give any indication of the ultimate result.

The company has reduced its holding in former subsidiary, Bristol Channel Ship Repairers to below 50 per cent. Accordingly, only the proportion of that company's loss attributable to Bailey's holding had been included in the results. These showed a share of associates' loss of £70,230 (£101,492).

Last wek Bailey announced that negotiations that could have led to the sale of substantially the whole of the 46 per cent stake in BCSR had ceased with no agreement reached.

There was no tax for the first half and stated earnings per 10p share were 0.081p (0.664p loss).

Norton Opax acquires Knightway

Norton Opax, the specialist printing and publishing group, has acquired Knightway Group, a market leader in the design and supply of promotional games within the newspaper and magazine market.

The consideration is £2m plus certain future performance-related additional payments, to be satisfied by the issue of unsecured loan notes.

Knightway, while retaining operating dependence, will work closely with Norton Opax subsidiary, Norton & Wright, a leading promotional game and lottery ticket producer. Knightway will continue to operate from its Huddersfield base.

ANGLIA TELEVISION Group said the resolution to approve its investment in British Satellite Broadcasting was duly passed at an EGM. Accordingly, Anglia will proceed with its proposed rights issue announced last month.

Meggitt sells Bestobell Australian subsidiary

BY DAVID THOMAS

Meggitt Holdings, specialist engineering group, has sold the distribution division of Bestobell in Australia for A$13.44m (£5.84m) to Commonwealth Industrial Gases, 59 per cent owned by the BOC Group.

This is the first disposal since Meggitt took over Bestobel after a contested bid battle last August.

Mr Ken Coates, Meggitt managing director, said: "The opportunities for the Meggitt Group elsewhere in the world, particularly in North America and Europe, determine that the interests of shareholders are best served by Meggitt concentrating on those areas of activity and not spreading its management resources too wide."

Meggitt is considering selling other Bestobell operations in the southern hemisphere.

BOC said that Bestobell's distribution activities in Australia, which made a pre-tax profit of A$2.2m on turnover of A$34.5m in 1985, fitted well with its industrial gases and related operations in Australia. BOC's Australian activities made an operating profit of A$32.6m on sales of A$489m for the year ended September 30.

Before completion, due to take place on March 2, the price will be adjusted to reflect any change in the net assets of Bestobell in Australia between December 31 1986 and the completion date. At December 31 1985 the net asests were A$10.3m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Green Property	1.6‖	—	1.5	2.7	1.5
Menvier-Swain‡ ......int	1	Apr 7	0.4	—	2.1
Nevi Baltic ......2nd int	2	—	—	3.5¶	—
Owen & Robinson int†	0.25	—	0.25	—	0.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ For 17 months. ‖ Irish currency throughout.

UK COMPANY NEWS

Hillards calls for £15m to fund further expansion

BY RICHARD TOMKINS

HILLARDS, West Yorkshire-based supermarket group which has opened six new stores in the last two years, yesterday announced a £14.7m rights issue of convertible preference shares to finance further expansion.

The company also forecast pre-tax profits of at least £9.75m for the year to May, compared with £8.5m for the 53-week period last time. Its shares closed 1p up at 181p.

The rights issue is of 15.36m new 6 per cent cumulative redeemable convertible preference shares of £1 each on the basis of 31 for 100 ordinary shares.

The shares will be convertible between 1990 and 1997 at the rate of one ordinary for two convertible shares. Full conversion would increase the ordinary share capital by 7.68m shares, representing 13.4 per cent of the enlarged equity.

Mr Peter Hartley, Hillards' chairman, said the company had opened 180,000 sq ft of sales area in the last two years and planned to open a further 95,000 sq ft in three new stores this year.

Last month, borrowings had reached £20.7m and the directors thought it prudent to widen the capital base. The proceeds would be used initially to cut borrowings, and then to finance further expansion.

"As well as the planned expansion programme of opening, on average, three new large stores a year, a continuing refurbishment of existing supermarkets is taking place to ensure that trading outlets remain up to modern standards," Mr Hartley said.

Last month, Hillards announced a 19 per cent increase in pre-tax profits to £4.5m for the 28 weeks to November, with most of the growth from new stores. analysts had been forecasting profits of about £10m for the full year.

Reuters in Canadian acquisition

Reuters Holdings has paid C$1.47m (£370,000) cash for Securities Clearing International, a private company based in Toronto. Reuters will provide a similar sum to cover SCI's obligations in respect of previous development costs.

Reebok backlog

Reebok International, the 37 per cent-owned American associate company of Pentland Industries, has reported that its backlog of orders at the beginning of 1987 had reached a record high of $445m (£292m) compared with $325m at the same time last year.

Mr Paul Fireman, chairman and chief executive, said that the present high backlog was representative of dealers' confidence in continuing consumer demand for products.

Lookers stake sold

Charterhall, international natural resources exploration and production group, has sold its 14.9 per cent stake in Lookers, vehicle distributor for cash consideration of 2.9m. The shares rose 2p to close at 233p.

Charterhall first declared an interest in Lookers in September of last year, but subsequent negotiations concerning a possible offer had proved fruitless.

In the best interests of its shareholders, the stake was disposed of realising an acceptable profit, Charterhall said.

Mitchell Cotts sale

Mitchell Cotts has sold West Kent Cold Storage to Ashley Milner for £5.45m cash, which includes the repayment of inter-company finance. An extraordinary profit of some £900,000 will be realised from the deal; proceeds will go to reducing borrowings.

Net assets of WKCS were around £4.6m but included in the last balance sheet of Mitchell Cotts at £7.4m, after property revaluations. Attributable pre-tax profits for the year ended June 30 1986 came to £500,000.

Sidlaw venture

Sidlaw Group has entered into a joint venture with Smit International of Rotterdam to provide installation, inspection, repair and maintenance services, principally to the oil and gas industries on the UK continental shelf.

The joint venture activities will be carried out through a newly-formed group of companies owned 51 per cent by Sidlaw and 49 per cent by Smit. The consideration payable in cash to Sidlaw by Smit for its interest is £980,000, payable as to £490,000 in two equal annual instalments.

Barbour flotation

Barbour Index, a company specialising in information services for the construction industry, is planning a full listing this month. Pre-tax profits were £1.5m in the year to last October. Sponsor to the flotation will be Laurence Prust.

Bipel acquisitions

Bipel Group, USM-quoted supplier of compression presses to the rubber and plastic mouldings industries, has purchased PPE (Birmingham) and Superb Tool and Gauge both precision engineers for a combined cash sum of £615,000.

Owen and Robinson

Owen and Robinson, retail jeweller and diamond merchant reduced the loss before tax came out to £17,349, against £56,043, in the six months ended November 30, 1986. There was, however, an extraordinary debit of £76,676 which related mainly to payments made to former directors

Sharp rise at Green Property

Green Property Co, Dublin-based property investment and development concern, lifted pre-tax profits by 48 per cent from I£935,000 to I£1.38m (£1.31m) in 1986. Net rents rose 8 per cent to I£1.91m, against I£1.77m.

With earnings per 25p share up from 4.83p to 5.71p, the dividend is increased to 2.7p (1.5p) net with a final of 1.6p.

Trading profits amounted to £86,000 (nil) and other operating income contributed £40,000 (£34,000). Although there was a £100,000 share of associates losses this time, pre-tax results benefited from a cut in interest payments from £587,000 to £257,000. Administration expenses took £301,000 (£282,000).

Demerger ups stake

Demerger Two, which is making a contested bid for London and Northern Group, said yesterday that the holders of a further 1.84 per cent of the company's shares had accepted the offer, taking its total to date to 29.53 per cent.

Wace in talks

Wace Group said it was in the final stages of negotiation with a view to acquiring Plus Graphics, a company also offering pre-press services. Wace said it hoped to make a full announcement within the next few days.

BP sells two offshoots

British Petroleum has sold two of its Scandinavian subsidiaries, A/S Kaalunds Fabriker, in Denmark, and Thor's Keminska Fabriker in Sweden, to German company Henkel. The cost has not been disclosed.

ELECTRONIC RENTALS is buying Thames Valley Communications for £1.76m to be satisfied by the issue of 3.7m new shares which have been placed.

Bell Group to take 42% stake in Dewey Warren

BY NICK BUNKER

Bell Group International, the media and property company, is to take 42 per cent of Dewey Warren, the Lloyd's insurance broker, in a move aimed at reversing Dewey Warren's declining fortunes.

Bell — which is involved in theatre ownership and film and television production—is a 100 per cent subsidiary of Bell Group, a company registered in Western Australia.

The proposal is backed by Dewey Warren's directors, but requires the approval of shareholders and the Corporation of Lloyd's.

Dewey Warren said yesterday that an agreement had been reached in principle for Bell to subscribe £3m for 5m ordinary 10p shares in the company. Sheppards, the stockbroking firm, plans to make a placing with its investment clients of 3,427,908 shares in Dewey Warren.

The new ordinary shares will be issued for cash at 60p per share. Bell has an existing holding of 191,000 ordinary shares.

Sheppards is also to offer Dewey Warran's shareholders an opportunity to buy all the shares subject to the placing, up to a maximum of four shares for every five held on February 23.

Following implementation of the proposals, Mr P. Brenan will design as chairman and director of Dewey Warren, and Mr C. J. Baker will resign as a Dewey Warren director.

A statement isued by Phillips and Drew Corporate Finance, which is acting for Dewey Warren, said Bell intended to expand the company's traditional business and restore confidence in the company.

"As a result of Dewey Warren's continued poor trading performance, the business has suffered, resulting in the loss of some key personnel," the announcement said.

IEP lifts Equity & Law stake

IEP Securities, part of the Brierley group of companies, has increased its stake in Equity & Law Life Assurance by 2.45m shares to take its holding up to 20.8 per cent.

IEP, which is run by Mr Ron Brierley, now has a £63m investment in Equity & Law Life, its second largest in the UK—only exceeded by the £83m paid to acquire almost 30 per cent of Ocean Transport & Trading.

Since late November, when IEP first announced that it had a stake in excess of 5 per cent, the New Zealand group has been actively adding parcels of shares. Last night Equity & Law Life closed up 4p at 323p.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Albert Fisher Group—Director A. B. Millar has disposed of 185,000 ordinary shares. He therefore retains a beneficial interest in 3,434,241 ordinary.

Elswick—Director J. Livington Turner disposed of 50,000 ordinary at 21.75p and now holds 334,595 shares (0.45 per cent).

UEI—The following directors sold shares on January 27. D. K. Duckworth sold 265,000; R. J. Taylor 75,000; R. A. Sareen 50,000; A. R. Greaves 1.36m; P. C. Michael 950,000 and C. Sanders 1.3m.

Blue Arrow—The following directors disposed of shares: A. G. Berry 176,870 and now holds 1,998,290 (5.23 per cent); N. Fazakerley 20,000 (57,000—0.15 per cent); M. S. Crosswell 25,000 (55,000—0.14 per cent); D. E. Atkins 12,000 (72,000—0.19 per cent); and D. E. Atkins as trustee for AG. Berry's family trusts 91,130 (200,000—0.52 per cent).

Inchcape—The Earl of Inchcape, director, sold 70,000 ordinary at 568p.

Stanley Leisure Organisation—G. Steinberg sold 100,000 shares and now holds 603,130.

King and Shaxson—Director, J. D. Mackinnon's holding has increased by 15,632 to 38,507 ordinary.

Jefferson Smurfit Group—Director H. E. Kilroy acquired 59,996 ordinary at 89.333p and now holds 619,014 shares (0.31 per cent).

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UK COMPANY NEWS

Nevi Baltic pays 3.5p as profits pass £7m mark

Nevi Baltic, the financial services group, achieved a pre-tax profit of £7.26m for the 17 months ended December 31 1986. This is the first full set of accounts since Nevi merged with Baltic — for the opening six months the profit was £2.2m.

A second interim dividend of 2p net is declared, making the promised 3.5p for the period.

Nevi, which is part of the Norwegian Vesta Group, took over Baltic in October 1985 in a share exchange deal. The new company obtained a Stock Exchange listing to retain the quoted status of the British business.

The directors said the group's key profit divisions — asset finance and property — showed strong strength.

Asset finance portfolio advanced from £22m over £60m by the end of 1986, while shareholders' funds doubled following the merger.

Enlargement of the capital base enabled the group to borrow on more favourable terms, with a consequent benefit to profits.

Turnover in the 17 months amounted to £28m (£12.5m) and the £7.26m (£4m) profit was struck after interest of £1.28m (£169,000). Tax took £1.53m (£736,000) and preference dividends £1.55m (nil), to leave earnings at 19.6p (17.3p) per share. The comparisons given relate to Baltic only for the year ended July 31, 1985.

Hobson moves for another exporter

By Richard Tomkins

Hobson, the USM start-up venture which diversified into export merchanting last December, yesterday said it had agreed to acquire a second exporter.

The company is buying Tower Hill Merchants, an export merchant specialising in the Caribbean, for about £465,000. THM made pre-tax profits of £67,163 in the year to last September.

An initial consideration of £300,000 will be satisfied by the issue of 750,000 ordinary shares in Hobson, which have been valued for the purpose at 40p each. A further consideration of about £165,000 will be paid when THM's asset value has been determined, and this will be met by the issue of more shares valued at 46.7p.

Hobson said THM's business would complement that of Bannacount Exports, acquired in a cash-and-shares deal worth about £2.6m in December.

Bannacount is a commodity trader and exporter of medical toiletries to West and Central Africa, while THM trades mainly in the Caribbean but also with Scandinavian and Mediterranean countries.

Warehouse fire hits Ramar's first half profits

A FIRE in one of its warehouses towards the end of the opening half hit pre-tax profits at **Ramar Textiles** and for the six months to November 28 1986 they were down from £488,000 to £315,000 on turnover reduced from £12.97m to £12.28m.

The directors said yesterday that it would be rash to say that the company could recover all lost ground.

Despite all the difficulties, the company believed that the second half results would show an improvement which should help to bring the full year's results back nearer into line with those of last year.

They added that the insurance company had confirmed that they were proceeding on settlement of the claim. That involved not only the cost of destroyed and damaged merchandise, but also other losses, including loss of profit and consequential losses.

ERIC claims asset value is over 270p

In its defence against the unwanted bid, **Energy Recovery Investment Corporation** says the 170.25p a share offered by Govett Strategic Investment Trust does not reflect the true value of the shares.

Backed by the substantial rise in the price of oil since December, the directors have put the company's net asset value at 271.62p per share. And they compare the offer with that value and the 215p which the shares were last traded under Rule 535(3).

ERIC's principal working interests are held directly with the Exploration Company of Louisiana, or indirectly through interest in XCL's lease fund. Current value of royalty interest is put at $15.4m and working interests at $3m. Net asset value is $14.4m, or £9.48m.

At end 1986 net bank borrowings, all short term, were $10.8m. Following the appointment of the present board in early 1986, the company has carried out disposals, concluded new banking arrangements and completed a rights issue.

LDH ahead 38% despite sterling's weakness

LDH Group, distributor and manufacturer of upholstery and furnishing fabrics, has shown further progress. In the half-year ended November 30 1986 it lifted its turnover from £3.45m to £5.22m and pre-tax profit from £201,300 to £278,500.

On a percentage basis the increases were 51 and 38 respectively.

Mr Michael Ross, chairman, said the figures were achieved despite the weakness of sterling in the first quarter.

In the second half turnover continued its upward trend and, sterling problems apart, the chairman remained optimistic about the year's outcome. He was confident that the dividend would at least be maintained at 0.55p net.

West Yorkshire Weavers, acquired a year ago, made a healthy contribution to the interim figures. It opened several more export markets recently, and continued to expand trade at home.

After tax £97,000 (£81,000) the net profit came to £181,000 (£121,000) for earnings of 2.24p (1.56p) per 15p share.

For the whole of 1985-86 the group produced a pre-tax profit of £440,000 (£237,000).

Rothmans Australia

Rothmans Holdings, Australian offshoot of Rothmans International, reported pre-tax profits up 22 per cent from A$46.75 to $57.06m (£25.4m) in the half year to December 31 1986. The company said the full year result was expected to exceed the previous year's figure.

First-half sales increased from $483.08m to $677.91m. After tax of $28.67m ($21.02m) earnings per share rose to 57.6 cents (52.5 cents). The interim dividend is 9 cents (adjusted 7 cents) and the board expects to at least maintain this rate for the full year. A one-for-one scrip issue is also proposed.

Sanders and Sidney

First dealings in **Sanders and Sidney**, the outplacement consultancy coming to the USM, will be on February 19.

AITKEN HUME International said the interest of Rawda Investments, including its subsidiary Saudi Investment Finance Corporation (Holdings), had been increased to 9.25m (20.24 per cent) Ordinary of the company.

Menvier-Swain tops £1m at midterm

Menvier-Swain Group, the USM quoted manufacturer of self-contained emergency lighting products, raised pre-tax profits by 25 per cent from £823,000 to £1.03m in the half year to October 31, 1986. Turnover increased 30 per cent to £7.59m, against £5.82m.

The directors said yesterday that the encouraging figures, together with the current level of trading, give them confidence that the group would achieve a most satisfactory full year result. Last year, Menvier-Swain's pre-tax profits jumped to £1.64m (£853,000).

The interim dividend is being hoisted from 0.4p to 1p net. Stated earnings per 5p share were 5.8p (4.6p).

Mr Charles Swain, the chairman, said that the majority of the increase in turnover and profitability was attributable to the core business of emergency lighting and fire alarm systems.

The company has substantially increased its UK market share of self-contained emergency lighting products. Export sales were at record levels, and Menvier Electronics had taken its first orders in the US.

The market for hybrid products had been quiet, and the service companies were continuing to hold their own in difficult trading conditions, but both these sectors were currently showing some improvement.

As indicated in the annual report, the Banbury production activities were being transferred to the new Banbury factory, now that building improvements had been completed.

The company had recently purchased additional land in Leeds for a new factory during 1987, at a total projected cost of £0.25m for the Amberlac subsidiary. This would give increased production resources.

At the operating level, interim profits climbed from £841,000 to £1.04m. Interest added £9,000 (took £18,000), while there was an exceptional debit of £21,000 this time being compensation for loss of office to a former director of a subsidiary.

Tax charge was £383,000 (£358,000) and after minorities of £5,000 (£9,000), the attributable balance came to £643,000, against £456,000.

Richardsons Westgarth's £1m pension fund surplus

BY RICHARD TOMKINS

Richardsons Westgarth, the steel stockholder which returned to profits in the first half of 1986 after cutting back its operations to stem losses, yesterday said it had acquired the Wokingham branch of J. H. Sankey and Sons, heating and plumbing distributor, for £190,000.

It also announced the details of the pension fund surplus foreshadowed in its interim report. Altogether, a net refund of £1.17m will be paid out by the Inland Revenue.

The superannuation funds office of the Revenue has approved the return to the company of a surplus of £1.95m, but this is subject to a withholding tax of 40 per cent.

The net sum is payable in two stages. The first, of £883,000, has just been received, and the balance of £287,000 is expected by the end of May.

Meanwhile Richarsons Westgarth's wholly owned heating and plumbing subsidiary, Burgess Heating Merchants, has acquired the stock and fixed assets of the Wokingham branch of J. H. Sankey and Sons for £190,000 cash.

Burgess is to close its own Wokingham branch and move into Sankey's premises with the aim of combining the activities of the two businesses on the same site.

Richardsons said it had now had cash on deposit of £1.04m. The full-year results for 1986 would be published in early March.

COMPANY NEWS IN BRIEF

GILTRAP HOLDINGS, bidding for Frank G. Gates, has raised its interest in the London-based Ford dealer to 19.9 per cent.

EADIE HOLDINGS (wire and textile machine accessories) has purchased Hewett & Crabtree in the specialist wire market for £157,500, by the issue of 337,595 shares. In the year to June 1986, Hewett produced turnover of £464,000 and a pre-tax profit of £47,000.

CANNON STREET Investments —1.95m new ordinary shares (20.2 per cent of those being offered by way of rights) have been placed on behalf of the directors, principally with new institutional shareholders.

PLANTATION TRUST has acquired a portfolio of shareholdings in certain listed plantation companies with a market value of about £841,000. Consideration will be satisfied through the issue of 650,000 ordinary shares and £250,000 nominal of 7.5 per cent convertible loan stock 2000. Included in portfolio is 28,500 ordinary shares in Williamson Tea Holdings, acquired at 610p, increasing interest to 125,000 ordinary (5.48 per cent).

PLEASURAMA owns or has acceptances for 4.59m shares (about 80.17 per cent) of Norscot, and has extended the offer. Acceptances of the offer had been received in respect of 18.94 per cent of the capital.

DWYER AND COMPANY has acquired Hulburds (Sittingbourne) for £443,000 in cash and the issue to the vendors of 425,000 shares. Hulburds assets comprise a freehold department ment store investment, five freehold shop investments and leasehold land. Dwyer will finance the acquisition by a placing of 2.1m shares at £1 each. The balance of cash will be used for further expansion.

JOHN WILLIAMS of Cardiff (iron manufacturer and steel stockholder): At the annual meeting the chairman said the customary de-stocking in the motor industry at the calendar year-end had again reduced level of activity in the foundry in the first quarter ending December. Orders had improved since Christmas, and foundry prospects for the year were good. In stockholding, Glen Metals reported abnormally slow business, but stockholding and galvanising activities in Cardiff wer much busier.

PLAXTONS (GB) (coachbody builder): At the annual meeting, Mr F. W. Plaxton, chairman, said orders were currently ahead of last year. The decline in group results for the past three years had been mainly due to the continuing contraction of the large coach market, which had caused the trading pattern to become increasingly seasonal. More direct control over marketing and distribution was essential and some diversification was required. The Kirkby Group acquisition should satisfy both these objectives and would be the subject to an egm in the near future.

BOARD MEETINGS

TODAY

Interims: Polytechnic Electronics, Press Tools, Securicor, Trent Holdings, Throgmorton USM Trust.

Finals: Consolidated Company Bultfontein Mines, General Funds Investment Trust, Griqualand West Diamond Mining, Phoenix Property and Finance, Talbex.

FUTURE DATES

Interims:

CALA ...	Mar 11
DPCE Holdings ...	Feb 23
Framlington Far East Fund ...	Feb 16

Company Notices

NOTICE OF REDEMPTION
To holders of
FORD INTERNATIONAL FINANCE CORPORATION
5% Convertible Guaranteed Debentures due 1988
(Convertible into Common Stock of Ford Motor Company)
Issued under Indenture dated as of March 15, 1973 with Citibank, N.A.

NOTICE IS HEREBY GIVEN that Ford International Finance Corporation has called for redemption all its outstanding 5% Convertible Guaranteed Debentures due March 15, 1988 (the "Debentures"), to be redeemed on March 13, 1987 at a redemption price of 100% of their principal amount together with interest accrued to the date fixed for redemption. The Debentures are to be redeemed at the Corporate Trust Services Department of Citibank, N.A., 111 Wall Street—5th Floor, New York, New York 10043, and the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt/Main, London (Citibank House), Milan or Paris, or the office of Kredietbank S.A. Luxembourgeoise in Luxembourg, as the Company's Paying Agents, and will become due and payable on March 13, 1987 at the redemption price. On and after such date, interest on the Debentures will cease to accrue.
The Debentures should be presented and surrendered at the offices set forth in the preceding paragraph on the redemption date with all interest coupons maturing subsequent to the redemption date. If such coupons are not attached, payment will be made only upon the delivery to the Paying Agent of funds in the amount of the unmatured missing coupons.
The Debentures are convertible into Common Stock of Ford Motor Company at the adjusted conversion rate of 40.02 shares of such Common Stock for each $1,000 principal amount of Debentures. The right to convert the Debentures will expire on March 13, 1987.

FORD INTERNATIONAL FINANCE CORPORATION

Dated: February 10, 1987

Banque Française du Commerce Extérieur
London Branch
1 Angel Court, London EC2R 7HU
US$30,000,000
Negotiable Bearer Floating Rate Certificates of Deposit due 29.4.88.
Notice is hereby given that early redemption of the above Certificates of Deposit will take place on 30th April 1987 in accordance with Paragraph 3) of the conditions of the Certificates.
Banque Paribas, London Branch
Agent Bank

CYDSA, S.A.
FLOATING RATE NOTES
DUE 1988-1991

NOTICE IS HEREBY GIVEN that for the Interest Period commencing February 9th, 1987, the Notes will bear interest at the rate of 8% per annum. The interest payable on May 7th, 1987, against Coupon No. 10 will be U.S.$19.333333 per U.S.$1,000 Nominal.

Agent Bank
ORION ROYAL BANK LTD.

Art Galleries

ZAMANA GALLERY, 1 Cromwell Gards, SW7. 584 6612. FESTIVAL OF COLOUR: Paintings by Young Artists from the Islamic World. Until 26 April. Tue.-Sat. 10-5.30; Sun. 12-5.30.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

CONTRACTS

£25m work for French Kier

FRENCH KIER, a division of C. H. Beazer (Holdings) has contract awards totalling £25m in the first two weeks of 1987. These include a mess block for the PSA at RAF Bentwaters, Suffolk (£2.56m), a leisure centre in Stockport for the Metropolitan Borough of Knowsley (£2.96m), and a multi-purpose recreational complex for the Polytechnic of Wales, Mid Glamorgan (£1.57m). In London, French Kier subsidiary, G. E. Wallis has been awarded a second contract by Wiggins Waterside for a further office development on the Isle of Dogs (£6.55m). The six-storey tiered office block has a central atrium and a semi-basement car-park. While not in the same league as Broadgate, the construction period for the first building was fast, with the steel frame erected in six weeks and a total construction period of just 47 weeks. Wallis is also to build a finished products warehouse at Yalding for ICI (£1.67m). Other French Kier contracts include a sheltered housing scheme in Greenwich for Anchor Housing (£1.7m).

★

J. M. JONES CONSTRUCTION has won a £3.34m contract to develop three high-technology units at Jordan Hill, Oxford. The 48-week project totals about 80,000 sq ft of space. All buildings will be constructed on mass concrete foundations and clad in a mixture of curtain walling, brickwork and stonework on a pre-cast concrete frame. The roof will consist of timber and non-asbestos slate. There will be parking for 180 cars. The existing building on the site will be demolished to make way for the project. J. M. Jones' clients for the development are Beacontree Estates and Clayform Properties.

★

HIGGS AND HILL OVERSEAS has been awarded a £3m contract by the Foreign Office for the refurbishment of the British Embassy in Warsaw, Poland. The 100-year-old, six-storey building requires extensive remedial work to the timber floors, renewal of defective plasterwork, including some highly decorative fibrous plaster, new partitions and staircases, repair and replacement of windows, installation of mechanical and electrical services and total redecoration. Work on the 4,400 sq metre building will take two years and will be carried out in several very carefully planned phases to enable the embassy to continue its diplomatic duties unhindered.

★

CONDER PROJECTS MIDLANDS, Burton-on-Trent, has started work on a design and build contract for a £8m showroom and offices for JCB Excavators, Rocester. The 3,050 sq metres four-storey building has been planned for some time. Conder is due to complete by Christmas 1987. The new showroom will go through two storeys to allow JCB's range of excavators to be exhibited, and will be double-glazed using a curtain walling system with reflective silvered glass.

★

SIR ROBERT MCALPINE AND SONS has been awarded a contract worth £2.25m by Marples International for the laying of foundations and underground drainage system and the construction of the superstructure for Phase II of the South Quay Plaza in Marsh Wall, London. The contract comprises construction of pile caps, base slab and the reinforced concrete frame for the 10-storey office block which will be built using the table form method of construction. The work is due for completion in October.

★

Two sports-related contracts have been won by **JOHN LAING CONSTRUCTION**. Satman Developments and Basildon District Council have awarded a £1.5m contract for erection of a two-storey sports centre covering 2,500 sq metres. Associated car parks, paved areas, landscaping and drainage will also be provided. JLC is also about to start work on phase one of a contract (which will be extended to phase two to include further equine accommodation) to build a stable yard and cottages for Darley Stud Management Company at Newmarket. It will involve building 30 horse boxes, stores and a hay/straw barn. A barn will be demolished and four semi-detached cottages, one detached cottage and five garages built. Completion is scheduled for August 1987.

★

ALFRED MCALPINE CONSTRUCTION has won a contract worth £1m for road works at Middlesbrough. The work for the County of Cleveland involves the construction of 0.7 kilometre of dual carriageway, and 0.5 kilometre of single 7.3-metre carriageway on Middlesbrough's South Bank at Grangetown, to the east of Middlesbrough. It also requires a considerable number of diversions and protection of underground services.

★

HENRY BOOT has been awarded a management contract worth over £2m by Underwood Real Estate. The project involves construction of an air-conditioned five-storey office block with an adjacent four-storey block of flats over three shop units in Marshall St W1, and will be completed in February 1988.

Work is to start soon on the 65-week construction programme for a 2.5 km single carriageway by-pass and other roadworks around the villages of Redenhall and Wortwell near Bungay. The contract, valued at £1.5m, is for Norfolk County Council.

Extensions valued at over £1m are to be carried out at the Harrogate International Hotel. The two-storey steel framed extension, with curtain walling to match the hotel elevation, will be completed by May 1987 to provide conference and additional banqueting facilities, and will be linked by a passenger lift to the adjacent International Conference Centre.

A total of 110 homes are to be refurbished in a contract from the Borough of Milton Keynes, worth over £1m. The seven month project at West Bletchley, Milton Keynes, includes replacement windows, central heating and rewiring.

Other contracts include £850,000 preliminary works for The International Convention Centre, Birmingham for the National Exhibition Centre; a £800,000 service reservoir at Pontefract for the Yorkshire Water Authority; a £690,000 factory development scheme at the Enterprise Centre, Batley for Kirklees Metropolitan Council and £350,000 replacement/remedial works at Telecom House, Coventry for British Telecommunications.

★

GRATTE BARRETT & WRIGHT has been awarded a £1.48m building services contract for an office development at 7-21 Wilson St, EC2 for the Church Commissioners of England. The services cover all mechanical, electrical and plumbing works, including air conditioning and a standby diesel generator. The expected completion date is late 1987.

Electrical services

Public and private sector contracts in the UK worth nearly £8m have been awarded to **THE BRIGHTSIDE MECHANICAL & ELECTRICAL SERVICES GROUP**, a subsidiary of George Wimpey. The contracts cover a range of mechanical, electrical, plumbing, air conditioning and other services for a variety of new "high-tech" developments as well as buildings under refurbishment.

Contracts for financial institutions in London, Leeds and Coventry make up nearly half the total. The installation of mechanical and electrical services for 160,000 sq ft of offices has begun at Hayes Galleria, SE1, for Lloyds Bank (£2.3m), and in Leeds the company is supplying and installing air conditioning, heating, ventilation, plumbing and fire protection systems in a computer centre being built for the Bradford and Bingley Building Society. The contract, worth £947,000, will be completed in August 1987. Brightside has also been awarded a contract (£620,000) by Equity and Law for mechanical and electrical services at its new office block in Corporation St, Coventry.

Brightside also has contracts to provide mechanical and electrical services at the Knaves Beech Business Centre, Loudwater, Bucks (£857,000) and the Telford factory of Trigion Packaging Systems (£200,000).

In the public sector, contracts for the PSA, hospital and municipal authorities total £3.34m.

HIGHVELD
STEEL AND VANADIUM CORPORATION LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 60/01900/06

DECLARATION OF DIVIDEND NO. 25 (FINAL)

A dividend No. 25 of 20 cents a share being the final dividend in respect of the financial year to December 31 1986 has been declared payable on May 8 1987 to shareholders registered in the books of the corporation at the close of business on March 20 1987. This dividend, together with the interim dividend of 10 cents a share declared on August 8 1986, makes a total of 30 cents a share for the year.

The dividend is declared in the currency of the Republic of South Africa. Dividend warrants will be posted from the office of the transfer secretaries on or about May 7 1987.

Any change of address or dividend instruction to apply to this dividend must be received by the corporation's transfer secretaries not later than March 20 1987. Shareholders must, where necessary, have obtained the approval of the South African or any other exchange control authorities having jurisdiction in respect of such instructions.

The share transfer register and register of members will be closed from Saturday March 21 to Saturday April 4 1987, both days inclusive.

In terms of the Republic of South Africa Income Tax Act 1962, as amended, non-resident shareholders' tax will be deducted by the corporation from dividends payable to those shareholders whose addresses in the share register are outside the Republic. The effective rate of non-resident shareholders' tax is 15 per cent.

The abridged audited consolidated income statement of the corporation and its subsidiaries for the year to December 31 1986 is as follows:

	1986 R000	1985 R000
Turnover	816 337	662 101
Profit before taxation	97 934	40 519
Taxation	32 995	11
	64 939	40 508
Outside shareholders' interest	4 795	(87)
Attributable profit	60 144	40 595
Extraordinary item	(5 937)	(9 004)
	54 207	31 591
Less: Underprovision for dividend No. 23	14	—
Interim dividend No. 24 of 10 cents a share (1985: No. 22 of 8 cents a share)	7 077	5 639
Provision for dividend No. 25 (final) of 20 cents a share (1985: No. 23 (final) of 16 cents a share)	14 169	11 302
Retained profit for the year	32 947	14 650
Weighted average number of shares in issue during the year	70 785 505	69 939 190
Earnings per share (cents)	85.0	58.0
Dividend per share (cents)	30.0	24.0
Dividend cover	2.83	2.42

The extraordinary item referred to above arises from the conversion of Transalloys (Proprietary) Limited to a wholly-owned subsidiary.

It is anticipated that the annual report will be posted to all registered shareholders on or about March 16 1987.

By order of the board
A. J. L. PRETORIUS
Company Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
40 Commissioner Street
Johannesburg, 2001
(P.O. Box 61051, Marshalltown, 2107)

Registered Office:
Portion 29 of the farm
Schoongezicht No. 308 J.S.
District Witbank
(P.O. Box 111, Witbank 1035)

Witbank
February 10 1987

FIRST PARTIAL REDEMPTION NOTICE

To the Holders of

General Foods Capital Corporation

12% Notes Due April 15, 1989

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the above-described Notes, General Foods Capital Corporation will redeem on April 15, 1987 through operation of the sinking fund $20,000,000 aggregate principal amount of Notes at the redemption price of 100% of the principal amount thereof.

On April 15, 1987, the Notes to be designated for redemption in the Second Partial Redemption Notice, which will be published and mailed to holders of registered Notes on or about March 13, 1987, will become due and payable at the aforementioned redemption price and will be paid, at the option of the holder, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main, London and Paris and at the main offices of Swiss Bank Corporation in Basle and Kredietbank S.A. Luxembourgeoise in Luxembourg. Payment of bearer Notes will be made upon presentation and surrender thereof together with all coupons appertaining thereto maturing subsequent to the redemption date. Coupons due April 15, 1987 should be detached and collected in the usual manner. Payment of registered Notes, or the portions thereof selected for partial redemption, will be made upon presentation and surrender thereof at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015, and at the main offices of Morgan Guaranty Trust Company of New York in Brussels and Swiss Bank Corporation in Basle. Interest due April 15, 1987 on registered Notes and the portions thereof selected for partial redemption will be paid to the persons in whose names such Notes are registered at the close of business on April 1, 1987.

During the period from the close of business on February 13, 1987 until the close of business on the date of publication of the Second Partial Redemption Notice, bearer Notes may not be exchanged for registered Notes and registered Notes may not be transferred or exchanged for other registered Notes.

On and after April 15, 1987, interest shall cease to accrue on the Notes or portions thereof designated for redemption.

GENERAL FOODS CAPITAL CORPORATION
By: Morgan Guaranty Trust Company
of NEW YORK, *Fiscal Agent*

Dated: February 10, 1987

Notice to the Bondholders of

Murata Manufacturing Company, Ltd.

U.S.$100,000,000 3½ per cent. Convertible Bonds Due 1999
U.S.$100,000,000 3½ per cent. Convertible Bonds Due 2000

Pursuant to the Terms and Conditions of above-mentioned Bonds, we hereby notify as follows:

The Conversion Price of the above-mentioned Bonds was adjusted pursuant to Condition 5 of Terms and Conditions of the Bonds effective as from the 8th February 1987 Tokyo Time, due to the issue of Yen Unsecured Convertible Debentures on February 7, 1987.

(1) U.S.$100,000,000 3½ per cent. Convertible Bonds Due 1999
Conversion Price before adjustment: Yen 1,958.60
Conversion Price after adjustment: Yen 1,951.30
(2) U.S.$100,000,000 3½ per cent. Convertible Bonds Due 2000
Conversion Price before adjustment: Yen 1,998.30
Conversion Price after adjustment: Yen 1,990.70

Murata Manufacturing Company, Ltd.
26-10, Tenjin 2-chome, Nagaokakyo-shi, Kyoto, Japan

Dated: 10th February, 1987

for UK Industry.

IN MERGERS AND ACQUISITIONS

B.A.T Industries p.l.c.
through its wholly owned subsidiary
BATUS Inc.
has sold
Frederick & Nelson, Inc.
and
The Crescent Stores, Inc.
to
F & N Acquisition Corp.

The undersigned acted as financial advisor to B.A.T Industries p.l.c.

The First Boston Corporation

B.A.T Industries p.l.c.
through its wholly owned subsidiary
BATUS Inc.
has sold
Kohl's Department Stores, Inc.
to
Kohl's Holding, Inc.

The undersigned acted as financial advisor to B.A.T Industries p.l.c.

The First Boston Corporation

Baxter Travenol Laboratories, Inc.
has sold its
Flint Division
to
The Boots Company PLC

The undersigned acted as financial advisor to Baxter Travenol Laboratories, Inc.

The First Boston Corporation

Beecham Group p.l.c.
has sold its
European Home Improvement Products Division
to
Henkel KGaA

The undersigned acted as financial advisor to Beecham Group p.l.c.

The First Boston Corporation

Beecham Group p.l.c.
has acquired
Norcliff Thayer Inc.
from
Revlon, Inc.
a wholly owned subsidiary of
Pantry Pride, Inc.

The undersigned acted as financial advisor to Beecham Group p.l.c.

The First Boston Corporation

BP North America, Inc.
through its subsidiary
Amselco Exploration Inc.
has sold its
Colosseum Gold Project
to
Negri River Corporation Limited
and
Grant's Patch Mining Limited

The undersigned acted as financial advisor to Amselco Exploration Inc.

The First Boston Corporation

The Burmah Oil plc
has acquired the
Water Management Division
of
Clow Corporation
from
McWane Inc.

The undersigned acted as financial advisor to The Burmah Oil plc.

The First Boston Corporation

Celanese Corporation
has sold
Celanese Specialty Resins, Inc.
and
Celanese Water Soluble Polymers, Inc.
to
The Rio Tinto-Zinc Corporation PLC

The undersigned acted as financial advisor to Celanese Corporation.

The First Boston Corporation

Consolidated Gold Fields PLC
through its wholly owned subsidiary
Gold Fields American Corporation
has sold
Gold Fields American Industries, Inc.
to
Blue Tee Acquisition Corp.

The undersigned acted as financial advisor to Consolidated Gold Fields PLC.

The First Boston Corporation

Hawley Group Limited
has acquired the outstanding share capital of
Cope Allman International PLC
to effect a proposed merger of
Henlys Group Limited
(an associated company of Hawley Group Limited)
with
Cope Allman International PLC

The undersigned acted as financial advisor to Hawley Group Limited on this transaction.

The First Boston Corporation — Credit Suisse First Boston Limited

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Owens-Corning Fiberglas Corporation
has sold
HITCO
to
BP North America, Inc.
a wholly owned subsidiary of
The British Petroleum Company p.l.c.

The undersigned acted as financial advisor to Owens-Corning Fiberglas Corporation.

The First Boston Corporation

The Plessey Company plc
has remained independent after an unsuccessful offer from
The General Electric Company, p.l.c.

The undersigned acted as a financial advisor to The Plessey Company plc.

The First Boston Corporation

Prudential Corporation plc
has acquired
Jackson National Life Insurance Company

The undersigned acted as financial advisor to Prudential Corporation plc.

The First Boston Corporation

Reliance Group Holdings, Inc.
has sold
Pilot Insurance Company
to
General Accident Fire and Life Assurance Corporation p.l.c.

The undersigned acted as financial advisor to Reliance Group Holdings, Inc.

The First Boston Corporation

Sedgwick Group plc
has acquired
The Crump Companies, Inc.

The undersigned acted as financial advisor to Sedgwick Group plc.

The First Boston Corporation

The First Boston Corporation

MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Corporate venturing

Trying to fire the imagination

Charles Batchelor on the mixed fortunes of big company investment in small enterprises

ARE BRITISH companies at last ready to embrace corporate venturing in a serious way? This technique for helping large organisations to innovate and small companies to grow has long been established in the US among big corporations such as energy company Exxon, and chemicals groups Du Pont and Monsanto. It is also finding increasing favour on the Continent with the likes of Olivetti in Italy and Siemens of West Germany.

The experience of British companies, however, has not been particularly happy. Groups such as BOC, ICI, Pilkington and Shell attempted it as a way of injecting themselves with a much needed dose of entrepreneurship during the 1970s. They met with very mixed results and most pulled out.

But the idea—dismissed by some as nothing more than a management fad — refuses to lie down and at the end of last month the National Economic Development Office drew together senior executives from around 40 industrial companies to a day-long seminar on the subject.

Groups which participated ranged from electronics and communications companies such as British Telecom and Plessey, through engineers like GKN and Vickers, to Courtaulds Fibres and British Sugar.

Some are still just thinking about the idea while others such as GKN and British Sugar have already begun to commit funds.

So far, however, progress has been slow. NEDO estimates that only about 20 British companies are engaged in corporate venturing and most are at too early a stage to form a view on whether it will be successful.

In the UK, for example, companies invested just £10m in venture capital funds in 1986 as an indirect route into holdings in small innovative companies. Of this £10m, just over half came from foreign corporations.

In the US, by comparison, 245 companies invested $400m in venture capital funds, according to Venture Economics, a specialist consultancy. "Compared with the US, Britain has not even got off the starting block," says Sue Lloyd, UK managing director of Venture Economics.

This lack of corporate interest is particularly regrettable since companies are ideally placed to supply the small amounts of money that most venture capital funds are not geared to provide, says John Ormerod, smaller companies partner at accountants Arthur Andersen.

Companies are also often better able to understand the new technologies which are being developed. Only the larger venture capital funds have the technical expertise to assess these projects properly.

The investment link that corporate venturing creates between a large partner and a small one allows risks of developing new products or markets to be shared. The smaller partner can be beefed up with the management and financial resources of the larger company while the hardened corporate arteries of the bigger *group can be injected with* some entrepreneurial vigour.

In practice the process can involve: the spin-out of an idea the large company does not have the resources to develop for itself; the large company taking an equity stake in a new venture; or the investment by the big company in a venture capital fund to give it a stake *in a range of small companies.*

> Problems can arise. Large companies can be unwilling to accept technology they have not developed themselves and refuse to accept the new venture

For the large company partner the advantages include access to newly developing technology, which is frequently spotted at an earlier stage by the small businessman and the spreading of the financial burden of innovation. "R and D departments frequently hang on to projects they cannot finance themselves in the hope that they can in two to three years' time," says Tony Lorenz, senior managing partner of ECI Ventures, a venture capital fund. "Corporate venturing allows them to develop these projects."

Problems can arise. Large companies can be unwilling to accept technology they have not developed themselves and refuse to support the new venture. Alternatively some react by over-managing the venture and stifling its flair.

The big partner is often unrealistic in its expectations of what the new venture can achieve and the speed at which it can do it. "They must learn to take a three to five year view, or even a five to ten year view on corporate venturing," says Bruce Lloyd, formerly with ICI's agricultural division and now an independent consultant.

Often corporate venturing plans are halted by a cyclical downturn in the large company's core business and projects are dropped or forced to produce immediate returns at the expense of their long-term prospects.

Most of these mistakes have been committed by Britain's would-be corporate venturers in recent years. Nevertheless a small but growing band of companies has persevered.

● The grandfather of corporate venturing in the UK is Pilkington Brothers, the St Helens-based glass maker. Pilkington has spread its net wide, investing directly in small companies and through venture capital funds in Britain and the US. It has its own small in-house fund, Rainford Venture Capital, *which has £2.5m invested in* about 10 companies.

Pilkington has been criticised for failing to adopt clear enough objectives in its corporate venturing. Commercial criteria have sat uneasily alongside social considerations aimed at making good some of the job losses in St Helens which have resulted from the company's recent retrenchment.

Pilkington acknowledges that its mistake has been to spread responsibility for corporate venturing around its divisions, which has meant there has been no overall co-ordination or sharing of experience. It has also been unclear whether its investments were intended to make money, provide new ideas for its core glass business or allow it to diversify.

"We are about to start a review of our corporate venturing," says Peter Shepherdson, general manager of new opportunities. "We have made mistakes but we are committed to it."

Among its successes Pilkington counts AEP, which makes telephone voice scramblers and which recently licensed its technology to one of the Bell companies in the US. Another venture, Associated Nationwide Couriers, was recently sold after 2½ years for four times the original investment.

The failures have included a UK company making cement products which went into liquidation after running into technical and financial problems and a solar energy project in California where Pilkington clashed with the individual running the business. The cement products business has since been revived, without Pilkington, and is doing well.

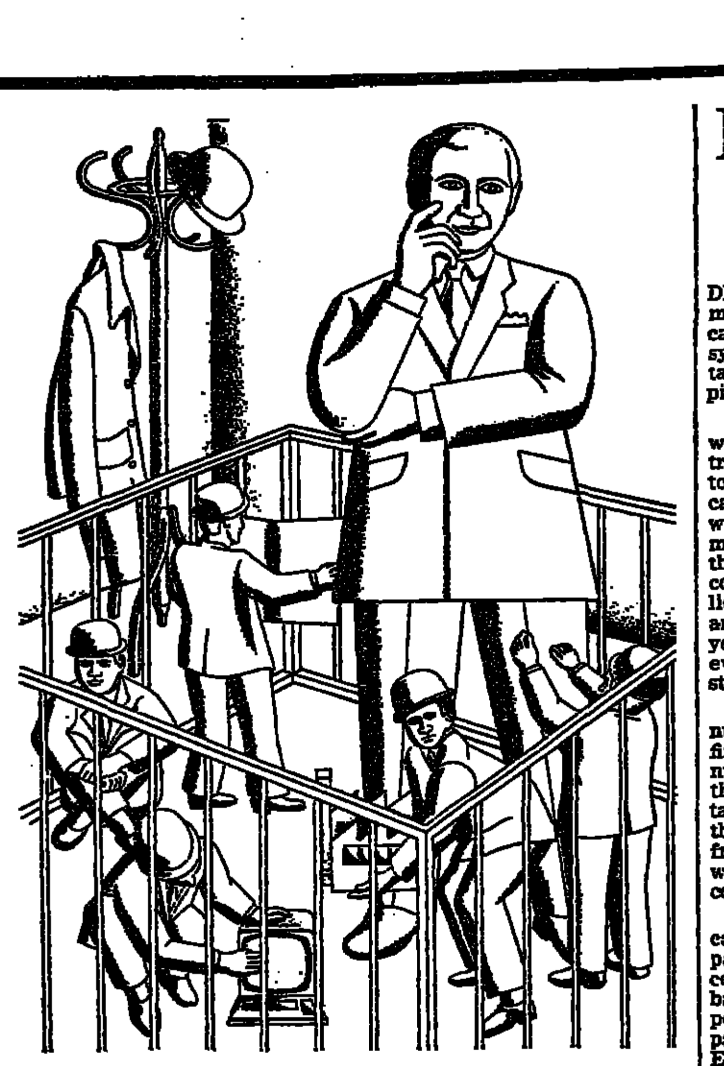
● RTZ Chemicals, a division of the Rio Tinto-Zinc Corporation, has concentrated on direct investments in biotechnology companies—with mixed results. At the end of last year it was forced to write off £1m invested in a 25 per cent stake in Microbial Resources, a company developing microbes to combat pollution, after it failed to perform as expected. Undaunted, RTZ Chemicals last month put up £1.7m for a 15 per cent stake in Biotechnica, a Cardiff company also developing microbes.

"You have to accept that there is a fairly high risk—and potentially a high reward," says David Swallow, managing director of the division. "Being only a minority shareholder in Microbial allowed us to pull out more quickly than if we had owned 100 per cent."

● GKN has opted for the cautious approach. The group's pension fund has invested £5m in a £30m fund managed by Advent, a venture-capital group. This has given it an indirect stake in half a dozen companies in the UK and the US.

They are intended as a springboard for what GKN hopes will be a closer involvement with companies complementary to its automotive components business. But despite an intensive search for small companies which could make use of GKN's research and test facilities it has so far failed to find any suitable partners.

"Still there has been a tangible benefit," says Andrew Hunt, business planning executive. "Working with Advent has given us a lot of ideas for spin-outs we had not really thought of, and has put us in contact with other companies."



Big companies are often better equipped to promote new technologies developed by small firms.

● ICI's chemical and polymers group has carried out the successful spin-out of a plastics product, polyhydroxybutyrate, (phb). The group originally intended to produce phb in bulk but the fall in the oil price meant it was more suitable for a niche market where its special qualities could command a premium price.

ICI decided that this could be better done by a small company, so in 1983 it set up Marlborough Biopolymers together with MTM Group, a small chemical company, as minority partner. ICI seconded one of its senior managers, John Adsetts, to head the new venture and gave it £100,000 of start-up funding.

Now in its third year of operation Marlborough is making profits, though this has been achieved at the cost of a certain amount of friction with ICI. "There are some people who felt an idea ICI had spent millions on was being 'given away'," says Adsetts. "But having an outside shareholder allowed us to keep ICI at bay."

Despite this success the problems of ICI's bulk chemicals division have taken away much of its enthusiasm for corporate venturing. Long-term, high-risk projects have had to make way for short-term profit considerations.

Corporate venturing's supporters argue that it is too important a technique to be subject to changes of management or a downturn in a company's main business. But until British companies manage to insulate venturing from the short-term business cycle, it will remain vulnerable.

"Corporate venturing doesn't have a successful track record so it makes directors nervous," comments GKN's Hunt. "If someone could demonstrate that they had been successful for a five-year period more companies might get involved. At the moment everyone wants to learn from everyone else but a few are willing to get their hands dirty."

Corporate Venturing—A Strategy for Innovation and Growth, published by the National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX.

Reducing uncertainty in picking winners

DR DAVID STOREY, an economist and a statistician at Newcastle University, has devised a system which he claims can take a lot of uncertainty out of picking corporate winners.

The details of the scheme—which makes use of many of the traditional risk-assessing factors—are secret because publication of the method used would allow companies to modify their accounts to cheat the system. It is based on a combination of factors such as liquidity, gearing, profitability and assets. It requires a three-year performance record, however, so is of no use in assessing start-ups.

It also takes into account a number of additional non-financial factors such as the number of directors (the more the better), the length of time taken to submit accounts and the existence of secured loans from banks (it is often the bank which pulls the plug on the company).

This model, Storey claims, is capable of predicting a company's success with some 75 per cent degree of accuracy. It is based on a survey of 636 independent manufacturing companies which traded in Northern England at some stage between 1965 and 1978.

Despite the high degree of accuracy claimed for the method, Storey concedes that it should be seen as an addition to, rather than a substitute for, the judgment of the bank manager or the loan executive.

He is hoping to link up with one of the clearing banks to carry out further tests of his methods over a broader range of businesses. The experiment would be limited to just one bank to preserve the confidentiality of the techniques used.

The benefits of predicting future performance are evident from the small number of firms which actually create jobs. In The Performance of Small Firms* Storey notes that of every 100 firms covered by his survey, 30 per cent went out of business in three years. Of those which survived for 16 years two firms provided nearly one-quarter of all jobs in that group of firms and seven provided nearly half the jobs.

"The key point is that, in terms of job creation, only a few firms matter, and it is those firms which would become the focus of public policy," he says. "Instead of public policy being grounded on thorough empirical research it has in many countries taken the form of ill-informed acts of faith."

** Published by Croom Helm, price £45. A conference with the same title as the book will be held on March 2 at the London Press Centre, Shoe Lane, London, EC4.*

Charles Batchelor

In brief . . .

SMALL companies are often better advised to license a good idea in overseas markets rather than attempt to sell it themselves. A two-day course on licensing will be held at the Tower Hotel, London E1 on April 8-9. More details from Miss J. K. van Wyeks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT.

●

THE Business Expansion Scheme (BES) has proved an invaluable means for many small companies to raise finance. Yet it has been bedevilled by frequent revisions and an increasingly complex legal framework.

The Guide to the Business Expansion Scheme* claims to be the first attempt to bring together all the legal provisions contained in no fewer than seven Finance Acts. It also explains what the company and the investor need to know about setting up a BES scheme.

The factual information is accompanied by a spirited attack on the Inland Revenue's apparent hostility towards the scheme. Despite the success of the BES in raising more than £500m for new companies and creating or saving more than 20,000 jobs, the tax authorities have done nothing to encourage its success, the guide argues.

* The Economist Publications, 40 Duke Street, London W1A 1DW. £25. 147 pages

●

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Investment Group is seeking to purchase a small housebuilding company, preferably South East based. The company might typically be privately owned, 5 year profit record, sound management willing to continue, land available for development. Responses will be most carefully evaluated in strict confidence.
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PROPERTY INVESTMENT and trading companies wanted. Apply in confidence to Wellington Property Company Limited Wellington House, 2 Elphinstone Road, Hastings, East Sussex, TN34 2EE. Tel: 0424 434891.

PRODUCT DEVELOPMENT AT MONTEDISON

Race to hone dulled edge of drug research

By Jane Rippeteau

IN A former convent in a remote town on the coast of Sicily last week, a team of scientists from a company that leads the world in anti-cancer chemotherapy drugs met with a dozen or so outside experts. Their task was to make a crucial strategic decision that could affect the company for years to come.

This is not such an unusual scene for forefront pharmaceutical companies, perhaps. But for Farmitalia Carlo Erba, the pharmaceuticals arm of Italy's giant chemicals and energy group Montedison, it was not usual, say company executives. Indeed, it was indicative of what some outsiders believe is an eleventh hour attempt to recoup a disastrously dulled edge in new-product development.

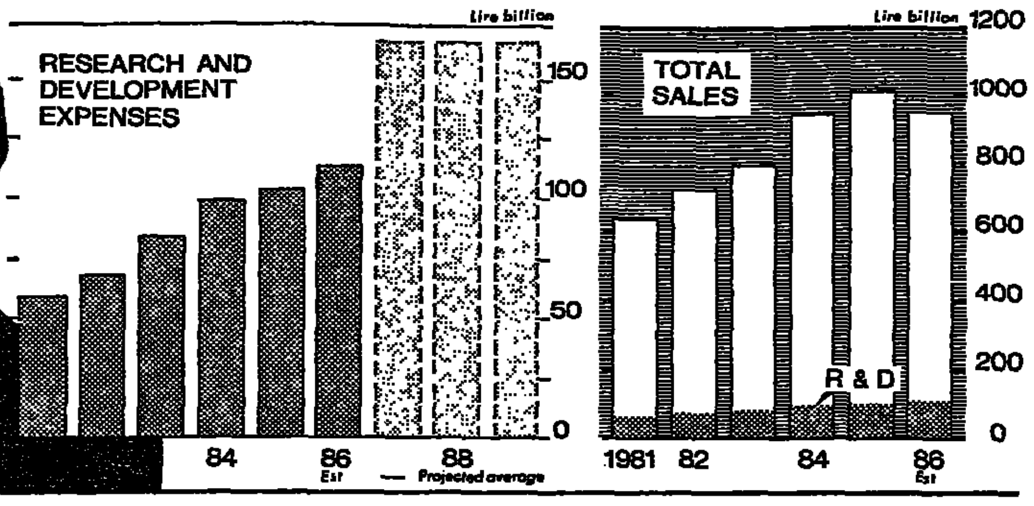
That edge years ago gave the company the anti-cancer superstar Adriamycin. Worth some $200m in annual sales, the product has the largest single share of the $1.8bn annual market for these tumour-fighting drugs, including over 20 per cent of the US market. Farmitalia's only close competitor is Bristol Meyers of the US.

But Farmitalia's patent on Adriamycin begins expiring next year, opening the field to competitors. Together with a follow-on drug in the same family, Adriamycin makes up 83 per cent of Farmitalia's anti-cancer drugs line. And it accounted for over a quarter of total company sales of around L940bn ($727m) in 1986, including antibiotics, cardiovascular drugs, diagnostics and bulk pharmaceutical compounds. "It's an extremely good drug," says Stuart Wamsley, director and chief of chemical research at stockbrokers Greenwell Montagu. "But they have been living off one product for years."

The company does have some protection in its proprietary production technology — the compounds are dangerous, toxic and difficult to make. And it can claim several new drugs, including the follow-on to Adriamycin that it says is 40 per cent less toxic to heart tissue — but still lacks crucial US Food and Drug Administration approval — and a new compound for leukemia that patients may be able to take orally.

But critics say these entries are too little too late. "There certainly is a gap before the next batch of drugs," says Alastair Kilgour, a partner with ARK Securities in London.


ROMEO RONCUCCI



Moreover, research competition is fierce. "All the major companies are concentrating tremendously on improving the drugs they have" to cut side effects such as nausea, hair loss and the triggering of secondary cancers, says Andrew Sandham, an executive at Celltech of the UK.

And they are plumbing new drugs for the 1990s, he adds. His own company's projects include one funded by American Cyanamid to develop targeted anti-cancer drugs, ones escorted by cancer-seeking monoclonal antibodies that will attack sick cells but not the healthy ones.

Farmitalia's vulnerability in the face of such competitors did not miss the gaze of Montedison chief Mario Schimberni.

Schimberni, who took over as chief executive in 1980, has been preoccupied with reversing Montedison's torrential losses, restructuring businesses and reclaiming government-held shares. His prescription is working. Profitability has revived: the group expects soon to announce a tripling of after-tax income to over L300bn for 1986.

But when his eye fell finally upon Farmitalia, he ordered changes. A search was launched for a new head of research.

Insiders say Farmitalia research lacked focus, had inadequate international contact and had an ageing staff. Those things were soon to change.

Montedison's search ended with Dr Romeo Roncucci, who at the time was finishing a research-management overhaul at Sanofi, the French pharmaceutical company 65 per cent held by Elf-Aquitaine. Roncucci "has a good reputation for organising research," says Kilgour, of ARK Securities. Sanofi executives "weren't too happy to lose him."

An Italian native, Roncucci says he left Italy after earning a doctorate in Milan to pursue opportunities abroad, including at top institutions in the US and Japan. His decision to join Montedison was motivated, he says, by a desire to return to Italy and because, under Schimberni, "I was really impressed by the potential of the company." At Farmitalia, he adds: "What was weak was development of drugs. Discovery was excellent."

In January 1986, he became vice president of research and technology at Erbamont, a holding company comprising Farmitalia. At the time, he recalls, "I cannot say there were projects. There were spots of research going on. People were looking for molecules. But there was little patient-oriented research."

Roncucci wanted to focus on solutions to specific diseases or illnesses, preferably ones afflicting large enough numbers of people to constitute a substantial market. "My approach," he says, "is to start by listing needs patients have today." He began to harness the expertise he saw.

Out went about 100 people, 12 per cent of the headquarters research staff. In came new minds, pulled not just from Italy as was past preference, but from competitor Eli Lilly of the US, the La Jolla, California, Salk Institute of research, from Sanofi and elsewhere. The average age, recalls Dr Fabrizio Marcucci—an expert in human monoclonal antibodies who was snatched from the Curie Institute at the age (then) of 34—began dropping. "A researcher of 52 who leaves is replaced by one 28, 29, 30," he says.

Roncucci says he did not attract these people solely with higher pay—a policy which he says can cause internal personnel problems. They came because of "the type of research they would do, the equipment available, and the way research would be managed," he says, adding: "Montedison has undergone a revival in status." Marcucci, offered a position to lead his area of research, concurs that "in working conditions and equipment, Farmitalia was competitive" with other top labs.

Roncucci is consolidating disparate research laboratories at Nerviano, 20 km from Milan. Here Montedison owns a pleasant 84-acre tract of land with clumps of hardwoods, pines, a futuristic production plant that won an architectural award, and several new laboratory buildings among those of an older vintage. Managers say they plan a private bus shuttle to overcome rigid working hours; about half the staff, living in Milan, must catch the last bus home at 5.20 pm, a sure damper to innovative spirits.

Research and development (R & D) spending has been steadily boosted and further sharp increases (L500bn is slated for expenditure between 1987 and 1989) are expected to send it to a healthy, above-average 14 to 15 per cent of sales. Additional money for acquisitions came separately. "The decision was made to make this research highly competitive," says Roncucci. But, he points out, pure spending is not enough.

Roncucci has his own recipe for running R&D. "It is possible to have one person make a major discovery for the future," he says. "But not usually. Usually, you need a team."

Research activities were grouped into units, called "lines" each headed by a team including a chemist, a biologist and a physician—representing the disciplines central to the desired end products. There are presently five lines: cardiovascular, oncology, central nervous system, immunology, and antibiotics. Each runs projects, now totalling 15. Separately, a "service" entity does more routine functions such as testing new compounds for toxicity levels.

Once a month, "line" managers, service representatives and Roncucci meet as the "committee for the organisation of research," or CORE. It is this body which decides to kill projects or add new ones, allocating the money, time and people required.

Also invited to each CORE meeting are selected representatives from Farmitalia's marketing and production departments. They help guard against projects for which there is a limited market or for which Farmitalia has inadequate manufacturing.

Anybody, from Roncucci down to lab-bench scientists, can make project proposals. But proposals must be well developed and meet three criteria concerning degree of novelty, whether the basic science involved is advanced enough, and potential market size. Since CORE was set up last April, 30 per cent of the projects brought before it have been rejected, says Roncucci. And he expects that number to increase as research becomes ever more focused.

If need be, outside experts are consulted. That was the point of last week's Sicily brainstorming session. Such international outside contact was not as common under the former format, according to Farmitalia scientists and executives. The issue at hand in Sicily concerned linking Farmitalia's cancer and cardiovascular research lines for a new product area. "I am emotionally linked to the idea," says Roncucci. "I'll be the one proposing it."

Earlier, other international experts were brought in to advise on whether Farmitalia had the wherewithal to tackle a particular front of targeted anti-cancer drugs: developing a mechanism to link the drug with the monoclonal antibodies carrying it to diseased cells. The project finally got a "go."

Aware that Farmitalia alone cannot track all new science bearing on its businesses, Roncucci also plans to create a think-tank type unit at Nerviano, a "tool" to plug technology holes through outside liaisons.

Some such outside liaisons have already emerged. Farmitalia is presently paying Cytogen, a New Jersey biotechnology start-up, to develop a link mechanism, as an alternative to its own project. And this month, Farmitalia acquired Unigen, another US start-up working on an enzyme that could be used to make a product for the aged that stimulates calcium in bones.

Dr Fernando Giuliani, who predates Roncucci at Farmitalia, notes "it is difficult to say yet how successful the changes will be." But, he adds, "in the past, we had only good research. Now we have to be competitive."

Farmitalia hopes that sentiment has come soon enough.

Marconi answers call of the wild

A SATELLITE earth station mounted on a Land Rover is offered by Marconi Defence Systems, part of the General Electric Company in the UK. This will provide mobile telephone and telex communications to various parts of the world over the new Inmarsat satellites.

The system costs from £100,000 and is expected to interest oil companies and others operating in remote areas with rough terrain.

Inmarsat (the international maritime satellite service organisation) mainly serves merchant shipping, but land mobile use is allowed in co-operation with the appropriate authorities.

Called Desert Ray, the Land Rover-mounted system is a development of a shipborne unit designed by Marconi International Marine, another GEC company. Alignment of the small dish aerial (0.9m diameter) with the satellite can be achieved manually or automatically, after which the user simply dials a two-digit code to gain access to a particular national telephone network, followed by the number he wants.

The call is routed to overseas phone networks or other Marconi vehicle systems through Inmarsat coastal earth stations (of which there will be 25 by the end of this year).

Marconi can also provide an accounting service by which subscribers can settle their national and international accounts on receipt of a monthly statement.

WORTH WATCHING

Edited by Geoffrey Charlish

Pilot's-eye view for car drivers

HEAD-UP DISPLAYS, familiar enough to fighter pilots, might eventually find their way into cars. Battelle, the US research group of Columbus, Ohio, in the US, has developed and patented a low-cost version which allows the driver, like a pilot, to see an image of the instrument panel at about ten feet in front of his eyes.

The idea is to avoid the annoyance and the safety hazard of lowering the head and re-focusing the eyes when looking from road to dashboard. Light from under the vehicle's instruments panel passes through holographic systems that combine with reflection from the windscreen, to create an image which seems to lie just beyond the front end of the car's bonnet. The eye can be kept on the road the whole time and the instruments can be seen simultaneously at the touch of a switch. Battelle is prepared to license the technology.

French key to many languages

FRENCH COMPANY Crel International has a range of screen and keyboard terminals that can be used in systems ranging from word processing to typesetting, in almost any language or alphabet including Arabic, Greek, Russian and Chinese.

For example, the Chinese version, called Qi Lin, displays high definition ideograms on a 24 x 24 pixel (picture element) matrix for each character. A special mnemonic keyboard is provided which allows over 6000 ideograms to be entered.

A second version, Calame, handles Arabic and normal Roman characters while a third, called Scribbel, handles Roman, Greek, Russian and Arabic as well as a variety of mathematical and scientific characters. The various alphabets can be mixed on a single line.

CONTACTS: Marconi Defence Systems: London, 954 2311. Battelle: US. (614) 424 7984. Crel International: France, 1 4387 5130.

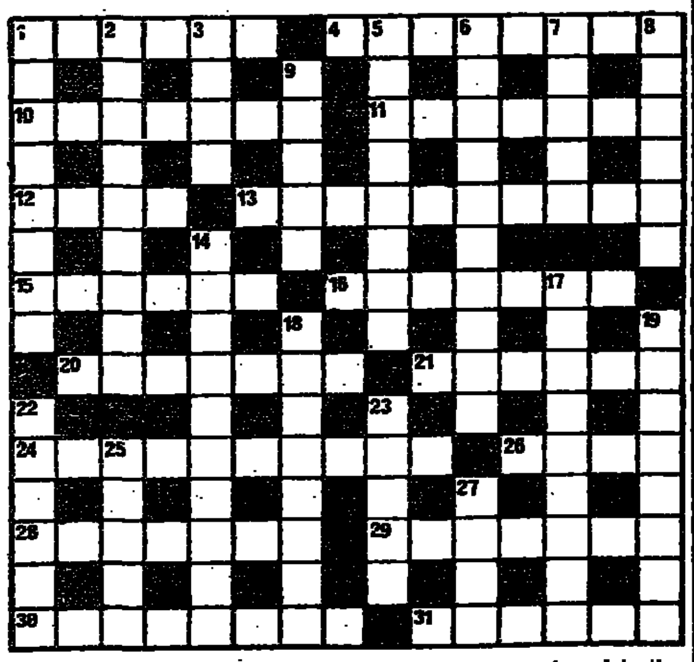
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE NO. 6,249

VIXEN



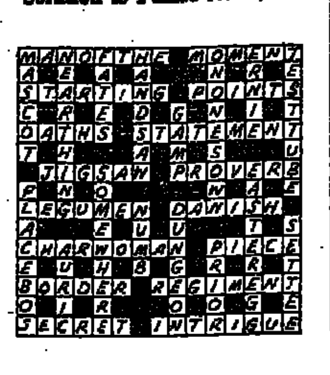
ACROSS

1 Greatly affected, so decided not to work (6)
4 Likely page—may be formally dressed (8)
10 Tries PE perhaps in the break (7)
11 Fell for copper, a big figure in the city (3, 4)
12 The day-centre (4)
13 Serious rows occur in this place (10)
15 Bearing a flower in spring (6)
16 Rating as awful niggard (7)
20 Like doubly trendy egghead, is really stupid (7)
21 Draw ahead, being a fabulous animal (6)
24 Making a note denim might be an improvement (10)
26 Leading player setting a good man aright (4)
28 When caught move quickly—appear humble (7)
29 Be about one's business (7)
30 The leftist ended in confusion and blushed (8)
31 Order a letter to be written about credit note (6)

DOWN

1 The foreigner's street guide (8)
2 Answers for peers' sons possibly (9)
3 Pirate put in prison (4)
5 Having to do with the company excessively saving (8)
6 A sober man ushered in the tiresome guy creating a racket (10)
7 Certain lines have colour (5)
8 He's given a home with royal insignia over it (6)
9 Criticise the city with uninteresting environs (5)
14 A Scandinavian monarch bet on trade organisation (10)
17 This is always assumed by those retiring (9)
18 Inside position for example (8)
19 Charm that's not way-out (8)
22 The dealer a customer ceremoniously embraces (6)
23 Transport for the trainer (5)
25 An African animal may well be laden (5)
27 A small number backed the Church in days gone by (4)

Solution to Puzzle No: 6,248



AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	367.0	388.4	+4.0	
High Income	313.5	331.7	+3.2	
Property	217.1	229.7		
Managed	263.8	279.2	+1.6	
Deposit	177.4	187.7		
Gilt	182.8	193.8	+1.2	
American	270.6	286.3	+1.2	
International Money	199.4	211.0	-1.0	
Index	110.8	117.2	+0.3	
Far East	213.1	225.5	-0.3	-
Global	106.5	112.7	+0.6	-
European	107.0	113.2	+0.3	-
Japan	114.1	120.7	-0.1	-
Residential Property	96.9	102.5		-
2nd Series Pension Accumulation				
Equity	587.1	621.3	+7.0	-
High Income	374.6	396.4	+4.4	-
Property	305.2	323.0		-
Managed	382.8	405.1	+2.6	-
Deposit	264.1	279.5		-
Gilt	257.9	272.9	+1.8	-
American	428.5	453.4	+2.3	-
International Money	286.3	303.0	-1.9	-
Index	121.8	128.9	+0.3	-
Far East	235.8	249.5	-0.3	-
Global	109.7	116.1	+0.8	-
European	110.4	116.8	+0.5	-
Japan	119.4	126.3	-0.3	-
Residential Property	97.8	103.5		-
Other Funds				
Equity Units		78.87	+0.87	-
Property Units		22.92		-
Equity Bond/Exec	48.86	51.70	+0.55	-
Property Bond/Exec	30.96	32.76		-
Balanced Bond/Exec	37.16	39.32	+0.23	-
L&E SIF 1	123.5	130.5	+1.0	-
L&E SIF 2	80.0	84.5	+0.5	-

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	118.0	125.0		-
Risk & Reward Bond	150.0	158.0		-
Murray Johnstone Fd	135.0	143.0		-
Money Market Fd	110.0	116.0		-
Investment Strategy Fd	99.0	105.0		-
Ivory & Sime Pens Fd	119.0	125.0		-
Risk & Reward Pens Fd.	132.0	139.0		-
Murray J'stone Pens Fd	133.0	140.0		-
Money Market Pens Fd	110.0	116.0		-
Inv Strategy Pens Fnd	100.0	106.0		-

Devonshire Life—Contd.

Money	100.7	106.1	+0.1	
Pen Managed	133.8	140.9	+0.3	
Pen World Growth	104.2	109.8	+0.2	
Pen UK Equity	145.7	153.4	+0.2	
Pen UK Small Cos	136.5	143.8	+0.9	
Pen European	99.8	105.1	+0.8	
Pen Far Eastern	227.9	240.0	+1.1	
Pen Nth American	97.8	103.1	-0.1	
Pen Fixed Interest	111.2	117.1	+0.3	-
Pen Index Lnkd Stk	101.8	107.3	+0.4	-
Pen Money	105.5	111.2	+0.1	-

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 221311

Secure Fund	104.5	110.1		-
Blue Chip Fund	136.8	144.0	+1.8	-
Performance Fund	163.4	172.1	+0.9	-
Adventurous Fund	156.2	164.5	+0.5	-
Pension Secure	96.0	101.1	+0.1	-
Pensions Blue Chip	105.3	110.9	+1.4	-
Pensions Performance	105.4	111.0	+0.6	-
Pensions Adventurous	104.2	109.7	+0.5	-
Pensions With Profits	102.5	107.9	+0.8	-

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	182.2	188.9	+1.9	3.90

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	182.5	192.1		-
Fd of Inv Tsts	152.4	160.4	+1.4	-
Gilt & Fixed Int	116.5	122.6	-0.6	-
High Income	170.5	179.5	+1.8	-
Intnl Growth	114.1	120.1	+0.2	-
Managed	138.5	145.8	+0.6	-
Money	109.3	115.1		-
North American	127.8	134.5		-
Pelican	159.0	167.4	+1.5	-
Property	108.9	114.6		-
Special Sits	164.4	173.0	+2.0	-
School Fee Managed	152.9	160.9	+1.0	-
Pension Funds				
Far Eastern	209.8	220.8		-
Fd. of Inv. Tsts	169.0	177.9	+2.0	-
Gilt & Fixed Int	121.0	127.4	-0.7	-
High Income	196.7	207.1	+2.6	-
International Growth	118.6	124.8	+0.2	-
Managed	152.9	160.9	+1.0	-
Money	119.2	125.5	+0.1	-

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

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NEL Britannia Assce Co Ltd

Property Equity & Life Ass. Co

Royal Heritage Life Assce—Contd.

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

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Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 394000

Managed	427.6	450.1	+2.5	—
Property	263.2	277.1		—
Fixed Int.	160.9	169.4	−0.1	—
UK Equity	523.5	551.1	+7.4	—
Int. Equity	342.3	360.4	+0.3	—
Deposit	158.3	166.7	+0.1	—
Managed Property	235.1	247.5	−0.1	—
American Eagle	118.7	125.0	+1.0	—
Technology	109.7	115.5	+0.1	—
Worldwide Income	180.8	190.4	+1.5	—
Pacific	180.6	190.2	+0.7	—
Australian	93.5	98.5	+1.0	—
Japan	288.7	303.9	−2.3	—
Commodity	111.4	117.3	+1.8	—
Gold	129.5	146.9	+0.6	—
Financial	205.1	215.9	+3.3	—
Income	244.2	257.1	+0.7	—
Special Situations	231.0	243.2	+2.1	—
Preference	138.7	146.1		—
Managed Currency	96.6	101.7	−0.9	—
European Spec. Sits	199.0	209.5	−1.3	—
Sterling	10.3			—
Residential Property	99.1	104.4		—
Pension Funds				
Managed Pension	1290.9	1358.9	+15.2	—
Gilt Pens.	355.3	374.0	−0.6	—
Property Pens.	669.1	704.4	−0.1	—
Equity Pens.	616.8	649.3	+4.0	—
Index-L Plan	125.8	132.5	+0.9	—
Guar. Pen.	260.7	274.5	+6.2	—
Lancaster Retirement	161.4	169.9		—

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	181.4	191.0		—
Gilt & Fixed Int Fd	133.3	140.3		—
Cash Fund	120.0	130.5		—

Transatlantic Life Assur Co Ltd

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090

Porchester Managed Funds

Albany (2)	119.00	125.20		—
Cornhill (2)	106.50	111.50		—
Ergo Life (2)	112.50	118.60		—
Royal Heritage (2)	103.60	109.10		—
Schroder (2)	99.7	104.9	+0.4	—
Skandia (2)	120.80	127.15		—
Target (2)	122.7	129.3	+0.1	—
Trident (2)	116.6	122.8	+0.3	—

Porchester Managed Pension Funds

Albany (2)	130.6	137.48		—
Schroder (2)	99.3	104.5		—
Skandia (2)	127.2	133.7	+0.2	—
Target (2)	112.40	118.4	−0.1	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med	119.4	125.7		—
Pens. Man-Schroder	485.2	610.7	+3.3	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	102.3	107.7		—
Guardian Portf Exch	99.3	104.6	+0.2	—
M&G Ass (Life)	114.5	120.4		—
M & G Ass (Pens)	132.1	138.8		—
Norwich Union Ass Mgr	54.0	56.9	+0.1	—
Royal Life (Unit Lnk Ass)	105.9	111.4		—
Scot Equitable (Life)	149.4	157.3	−4.5	—
Scot Equitable (Pens)	102.2	107.6	+0.8	—
Scot Mutual (Life)	152.4	160.5	+1.4	—
Scot. Mutual (Pens)	138.7	146.0	−1.0	—
Vanbrugh Life Ass	120.0	126.4		—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	188.3	198.3	−0.9	—
Target Mngd Pension	125.2	131.8	−0.9	—
Albany Mngd Bond	161.4	169.8		—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

Enterprise House, Portsmouth 0705 827733

Special Acc	10.00	7.48	10.90	Mth
Over £10,000	10.25	7.69	11.19	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL 1SE 0752 224141

High Int Chq Acc	11.00	8.22	11.94	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE. 01-606 9485

High Int Cheque Acc	11.75	8.41	12.23	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

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3-month call rates

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Allied-Lyons	27
Amstrad	15
BAT	35
BOC Grp	28
BSR	11
BTR	26
Babcock	16
Barclays	42
Beecham	40
Blue Circle	55
Boots	22
Bowaters	32
Brit Aerospace	42
Brit. Telecom	17
Burton Ord	26
Cadburys	27
Charter Cons	24
Comm Union	28
Courtaulds	26
FNFC	17
Gen Accident	75
Gen Electric	15
Glaxo	85
Grand Met	40
GUS 'A'	85
Guardian	75
GKN	24
Hanson Tst.	18
Hawker Sidd	42
ICI	75
Jaguar	42
Ladbroke	32
Legal & Gen	20
Lex Service	32
Lloyds Bank	38
Lucas Inds	46
Marks & Spencer	18
Midland Bk	48
Morgan Grenfell	26
NEI	8
Nat West Bk	48
P & O Dfd	45
Plessey	16
Polly Peck	16
Racal Elect	15
RHM	24
Rank Org Ord	45
Reed Intnl	25
STC	13
Sears	12
TI	40
TSB	8
Tesco	36
Thorn EMI	42
Trust Houses	15
Turner Newall	18
Unilever	140
Vickers	36
Wellcome	17
Property	
Brit Land	16
Land Securities	30
MEPC	32
Peachey	24
Oils	
BOM	3½
Brit Petroleum	50
Burmah Oil	32
Charterhall	4
Premier	3½
Shell	65
Tricentrol	8
Ultramar	17
Mines	
Cons Gold	62
Lonrho	22
Rio T Zinc	62

A selection of Options traded is given on the London Stock Exchange Report Page.

Producers attack plan for EEC oils and fats levy

BY WONG SULONG IN KUALA LUMPUR AND RICHARD MOONEY IN LONDON

THE EEC Commission's plan to impose a substantial levy on imported edible oils and fats has come under strong attack from producers.

In Kuala Lumpur yesterday Dr Lim Keng Yaik, Malaysia's Minister of Primary Industries, protested that the levy would "destroy" exports of palm oil to the EEC from member countries of the Association of Southeast Asian Nations

Meanwhile, the London-based Tropical Growers Association has told the Commission that it believes "the effect of the levy will be to pass on to the producers in the third world the cost of subsidising the cost-inefficient rapeseed producers in the EEC."

Dr Lim urged the EEC to drop the proposal, which he said was "highly protectionist and discriminatory" and would affect ties between the EEC and Asean.

At a meeting in Brussels today EEC Commissioners will consider adopting the levy as part of the price package to be put before Community Agriculture Ministers. Traders in Kuala Lumpur fear the import charge could be as high as the current palm oil price, which fell sharply to about $340 a tonne on the Kuala Lumpur Commodities Exchange yesterday in anticipation of higher production of palm oil in Malaysia and soya oil in the US.

Currently Malaysia's exports of palm oil to the EEC attract duties of 4 per cent for crude and 12 per cent for refined. Last year the Community imported about 700,000 tonnes from three Asean producers, Malaysia, Indonesia and Thailand, at a cost of about $170m.

Dr Lim issued his protest after expressing his concern to Mr Pieter Berghs, the Belgian ambassador—Belgium currently holds the chairmanship of the EEC Council of Ministers. Malaysia has also contacted other Asean partners, the US and Australia to urge them to register protests.

The TGA, which represents growers of tropical perennial crops and was until this year called the Rubber Growers Association, contacted the Commission to express its members' "deep concern that the measures . . . will have the effect of further reducing the already very low world price of palm oil, palm kernel oil and coconut oil."

"In the past, measures aimed at forcing consumers' prices upwards have invariably resulted in the end in pushing producers' prices downwards," the TGA said. "We believe the proposed levy will be no exception."

"This would contrast sharply with the stated intention of the Council of Ministers to encourage agriculture in the ACP (African, Caribbean and Pacific) countries," it added.

Gatt forecasts further price rises in world beef markets

BY WILLIAM DULLFORCE IN GENEVA

BEEF AND veal prices should continue to benefit this year from price recoveries initiated in a number of markets in 1986. World consumption will probably decline but less sharply than output, according to the annual report* on international meat markets published today by the General Agreement on Tariffs and Trade (Gatt).

Projections for production and consumption in the EEC and 26 countries which take part in the Arrangement Regarding Bovine Meat form the basis for the forecast. But the Gatt secretariat hedges its bets by listing a number of uncertainties and by stressing that the price recovery is still very recent and far from having reached all markets.

In 1987 Gatt expects world production of beef and veal to fall by about 1.5 per cent to some 42m tonnes as a result mainly of reductions in the US, the EEC, Canada, Australia, Argentina and Uruguay. The secretariat's forecast of lower output in 1986 was not fulfilled —the US, Argentina and Uruguay increasing their production contrary to expectations while the decline in the EEC was lower than anticipated.

Prices nevertheless firmed in the course of the year under the impulsion of rising demand in several large importing countries. Consumption is forecast to decline again in 1987 in the US and Canada but most other countries are projecting higher consumption levels. Thus, overall the Gatt secretariat sees a "somewhat brighter scenario" for the meat trade in 1987 than in the last few years.

Two important influences on the meat trade are singled out: World over-production of feed grains and the Brazilian situation. Low maize prices have greatly improved the steer/corn price ratio (the number of maize bushels that can be bought for every 100 lbs of livestock) rendering cattle rearing more profitable.

Brazil, the third largest net exporter of bovine meat in 1985, turned into the second largest net importer after the US last year. Other countries were able to sell parts of their meat surpluses to Brazil, relieving the downward pressure on prices. The EEC sold almost 300,000 tonnes of intervention beef, while the US placed 90,000 tonnes in Brazil.

Incentives to farmers are scheduled to raise domestic beef output by some 14 per cent this year. The Brazilian Government hopes to import 180,000 tonnes and export 150,000 tonnes but Gatt believes imports may be "quite substantially higher."

Sales to Brazil shot EEC beef and veal exports to their largest ever level of around 1m tonnes in 1986, 36.4 per cent higher than in the previous year. Gatt sees Community exports dropping by 32 per cent this year.

Projections for the end of 1987 indicate total EEC meat stocks of 400,000 tonnes, down from an estimated 715,000 tonnes at the end of last year

* *The International Markets for Meat 1986-87, available in English, French and Spanish from the Gatt secretariat, 154 rue de Lausanne, 1211 Geneva 21. Price SFr 12.*

LME delays introduction of clearing system

By Stefan Wagstyl

THE LONDON Metal Exchange plans to introduce the much-discussed reforms to its trading system on May 29, a few weeks later than originally expected.

The exchange intends to bring in a clearing house system to replace its century-old principal-to-principal market as well as a number of other changes including launching traded options in sterling and in US dollars in the six metals it trades.

The details, set out in a paper prepared by the International Commodities Clearing House, which will operate the new system, are to be debated at a meeting of LME members

Mr Michael Brown, LME chief executive, said yesterday that while it might have been possible to introduce elements of the clearing house system in early April, it made sense to wait until everything was ready.

The exchange had chosen a Friday so that any unexpected problems could be solved over the weekend, he said.

The reform of the exchange's trading rules have been the subject of intense debate within the LME and outside it. The proposed changes are expected to meet the requirements of the Securities and Investments Board, the City markets' watchdog, which was concerned from the outset of negotiations with the LME authorities that the existing LME rules did not offer investors sufficient protection.

Traders have been worried that proposed changes might raise costs and drive away mining companies and others in the metal trade. The LME board and committee believes that the package of reforms, negotiated with the SIB, is the best compromise which could be achieved. Unlike traders on other exchanges, LME members will be permitted to treat trade and private clients differently. Private clients' funds will have to be segregated as on other futures exchanges. But metal trade clients will be permitted to opt for desegregation—which will allow traders, among other things, to grant credit.

Meanwhile, overseas companies are to be allowed to become members of the LME in their own right. Hitherto, foreign groups wanting to join the market have had to do this through subsidiaries incorporated in the UK.

Farming in a cold climate

FARMER'S VIEWPOINT

By John Cherrington

I HAVE always regarded Candlemass, February 2, as the very depth of the winter. There is, in fact, an old saying to the effect that at this date the prudent farmer should still have half his reserves of winter feed in stock. So I am pleased that I am still in that happy position for sheep feed, for which I must thank last year's damp and productive autumn.

My in-lamb ewes needed no hay until the weather went suddenly arctic in January, and they adapted to the change of diet without trouble. The flock looks very well, better than for many years, in fact. Both December and January were very dry after a wet October, and all outlying stock prefer to have dry backs. As long as they have enough to eat and to drink they will thrive in the coldest temperatures. So the January frost did them no harm. Keeping the water flowing was a constant anxiety but we had little snow in my part of Hampshire and were able to get around the fields without trouble.

The frost was as hard as I have known, however, and from the standpoint of the arable sector I would have preferred to have had some snow cover on the autumn-sown wheat. Last year the exposed plants suffered quite badly from the freezing wind but much of the heavier frost this time was not aggravated by windchill. Even so, the land was frozen hard for the best part of four weeks.

I had been worried about a field of wheat sown late after beans. This was planted in the second week of December amid a good deal of criticism from my staff, who thought it was bound to fail. Unlike me they had fallen for the modern idea that sowing must be as early as possible. But I, as a relic of the horse age, had been trained to plant when the land would work irrespective of the date. Early last week I was happy to show them that this last field, although it had no snow cover was showing very well.

To be honest, however, I think I have been rather lucky, because the frost looks like going out wet. In many cases a hard frost will go out dry and it does not take long for the top soil to dry out and desiccate the young growth. Although this will mend in time, it does check the development of the crop. I am also encouraged by the mild temperatures we have enjoyed the past week. They have been running up to 10 deg celsius, a level at which growth should be starting quite strongly in the grass and wheat seedlings.

Encouraged by this I have begun to apply the first dressing of nitrogen to the grass land for the lambing ewes. However well one feeds them with hay and concentrated feed they do appreciate some real grass.

For a perfect spring I would like a spell of wet weather now to be followed by some drier weather in which I could cultivate the 300 acres I have ready for spring sown cereals, mainly barley and oats. At present the land is in good order for this. Most of it was ploughed before the very hard frosts which effectively shattered the furrows. Theoretically this should mean that as soon as I can get on the land with the tractors it should be possible to cultivate it into a good tilth in which to lay the seed.

There is no fixed date for sowing, I might be able to start this week or I might have to wait a month or more. The aim is to get the land into a state in which it will form an easy seed bed and then all I shall need to do is to get the seed planted.

But this is the practical side of farming and after so many years I have come to understand the techniques and how to implement them, and have also developed the philosophy to cope with the times when the seasons do not go as they should do. Most farmers understand their basic jobs.

We can also cope with the variations in seasons which can alter expected yields by 20 per cent either way, and for no apparent reason. So any farming budget should be very widely drawn—one should never count ones chickens before they are hatched.

Latterly, however, I have found budgeting on any but the shortest term to be little more than an act of faith. I am prepared to chance the yield I will get, although I will do the best I can to get the highest one possible—it is fatal to farm the land at half cock. But I do not yet know the prices or the terms on which I will be paid.

The EEC Commission is threatening moves such as restricting intervention buying and interfering with export subsidisation which could make the marketing of this next harvest something of a shambles. None of our prices are fixed but all the indicators are firmly pointed downwards. The situation in the meat and pig markets looks very bearish. Yet along with all my fellows I am determined to produce as much as I can as well as I can.

It is perhaps true that I could, if I understood how to use the futures markets, cover myself. But I do not understand them and I am not encouraged by the knowledge that in the US where many farmers who are sophisticated users of these markets are in a far worse state than we are. So all I can do is press on.

Farm structures plan given a guarded reception

BY TIM DICKSON IN BRUSSELS

EEC plans to pension off older farmers and pay others to reduce production was given a guarded reception from some Community Farm Ministers' meeting in Brussels yesterday.

The proposals — provisionally costed at Ecu 2.8bn over five years — were first presented by the European Commission last April and were the subject of regular if not always constructive debate at Farm Councils throughout much of last year. Agriculture Ministers, however, reached "provisional" agreement on the package in December, sent Commission officials away to tidy up the details, and imposed a deadline for full approval of February 28.

In the absence of any significant subsequent progress among experts in Brussels, yesterday's reactions by some member states were not surprising.

Mr Francois Guillaume, the French Agriculture Minister, and his Danish opposite number Mrs Britta Schall-Holberg, for example, both voiced concern that the ideas had not been fully thought through. Neither wants the early retirement scheme to be made compulsory throughout the Community (as suggested by the Commission) whereas Mr Ignaz Kieche, the West German Minister, insists that this is an essential precondition for his country's support.

Although the so called "socio structural" package has been overshadowed by the achievement of Ministers in cutting milk production and reducing guaranteed price support for beef, the proposed measures are viewed in Brussels as a key complement to the Community's more restrictive prices and marketing policies. They are seen both as a means of ridding the Community of surplus production—by restoring the balance between demand and supply—and as a way of helping maintain the viability of agriculture in the more hostile regions of the EEC.

Essentially there are three key elements in the Commission plan:

● A pre-pension scheme which would apply to farmers between 55 and 70, is the most important and most controversial. The idea is that farmers would agree to abandon the land for at least 10 years in return for an annuity payment. The Commission would like this to be compulsory in regions of the Community where a significant amount of farming is devoted to products in surplus, though mountainous areas, areas exposed to the risks of soil erosion and depopulation, and Portugal (initially) would be exempted. Member states would also be permitted to offer inducements to encourage retiring farmers to hand over to younger counterparts. Farm workers losing their jobs would also be compensated.

● The key word for the second scheme is "extensification"—the buzz word for farmers reducing output of surplus products by shifting away from intensive farming practices. The aid would be paid provided the volume of production or surface area devoted to a surplus product was reduced by 20 per cent. One possible solution being discussed in this context is "set asides"—the idea of taking land temporarily out of production which was proposed by Britain last September as a means of curbing surpluses in the cereals sector. The Commission is known to be interested in the concept but still has reservations and has not yet tabled formal proposals.

● More aid for mountain and less favoured areas to reinforce existing support, is also in the draft package.

LONDON MARKETS

A WAVE of speculative buying lifted London cocoa futures prices yesterday as traders reacted to reports that the Brazilian crop might be suffering drought damage again. With manufacturers also reported to be covering forward the May position ended at a three-week high of £1,386.50 a tonne, up £29 on the day. In contrast the coffee futures market drifted to three-week lows as doubts about the prospects for the reintroduction of International Coffee Organisation export quotas and lack of physical demand continued to weigh down market sentiment. The May position finished at £1,538 a tonne, £49.50 down from Friday's close. On the sugar futures market prices were buoyed by reports of continued Soviet demand and sustained Brazilian efforts to persuade buyers to accept delays of around 12-months on contracted shipments. Nearby positions on the London futures market ended $6 to $7 higher on the day.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	802-3	—1	804.5
3 months	811-1.5	—1	818/810

Official closing (am): Cash 804-45 (800-1), three months 813-3.5 (810-0.5), settlement 804.5 (801). Final kerb close: 809-10. Turnover: 10,025 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	891-2	—1.25	895.5/895
3 months	909-10	—2.75	915/910

Official closing (am): Cash 894.5-5 (885.5-6), three months 912-2.5 (905.5-6), settlement 895 (886). Final kerb close: 909.5-10.5.

Standard			
Cash	864-5	—6	868
3 months	887-90	—4.5	—

Official closing (am): Cash 867-8 (866-7), three months 891-3 (888-90), settlement 868 (867). US producer prices 64/67 cents per lb. Total turnover: 24,250 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	308-9	—6	314
3 months	308.5-9	—5.5	314/306

Official closing (am): Cash 311-1.5 (315.5-6), three months 310-1 (312-3), settlement 311.5 (316). Final kerb close: 306-7. Turnover: 8,050 tonnes. US spot: 24/27 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2374-5	—10.5	2400/2375
3 months	2410-5	—15.5	2400/2410

Official closing (am): Cash 2395-6 (2375-80), three months 2437-8 (2420-5), settlement 2396 (2380). Final kerb close: 2416-20. Turnover: 696 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	494.5-5.5	+2.5	497/494
3 months	486.5-7	+2.13	491/484

Official closing (am): Cash 495-6 (491-1.5), three months 487-7.5 (485-5.5), settlement 496 (491.5). Final kerb close: 484-5. Turnover: 11,225 tonnes. US Prime Western: 38.5/44 cents per pound.

TIN

KUALA LUMPUR TIN MARKET: Close 17.06 (17.02) ringgit per kg. Up 0.4 ringgit per kg.

GOLD

Gold rose $2¾ to $405¾-406¼ on the London bullion market yesterday. It opened at $402-402½ and was fixed at $402.95 in the morning and $405.90 in the afternoon. The metal touched a peak of $406¼-406¾, after opening at the day's low. The weakness of the dollar and nervousness about the situation in the Middle East lent support to gold, but trading was only moderate.

GOLD BULLION (fine ounce) Feb. 9		
Close	$405¾-406¼	(£267¾-268¼)
Opening	$402-402½	(£268-268½)
M'n'g fix	$402.95	(£267.705)
Aft'n'n fix	$405.90	(£267.656)

GOLD AND PLATINUM COINS		
Am Eagle	$418½-423½	(£275½-278¾)
Mapleleaf	$415¾-420	(£273¾-276½)
Kr'g'rnd	$404-407	(£265-268)
½ Krug	$205-206	(£135-135½)
¼ Krug	$104-106	(£68½-69)
Angel	$418-421	(£275¼-277¼)
1/10 Angel	$41½-46½	(£27¼-30½)
New Sov	$96¼-97¼	(£63¼-64¼)
Old Sov	$96½-98	(£63½-64½)
$ 20 Eagle	$480-530	(£316-349)
Noble Plat	$537-545	(£353½-358¾)

SILVER

Silver was fixed 1.65p an ounce lower for spot delivery in the London bullion market yesterday at 366.7p. US cent equivalents of the fixing levels were: spot 553c, down 3.4c; three-month 561.05c, down 3.55c; six-month 569.7c, down 3.6c; and 12-month 588.55c, down 2.95c. The metal opened at 368-369½p (552-554c) and closed at 366-367½p (555-557c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	366.70p	—1.65	366.5p	—0.5
3 months	376.10p	—1.85	376.5p	—0.5
6 months	385.70p	—1.90	—	—
12 months	404.45p	—1.90	—	—

LME—Turnover: 4 (0) lots of 10,000 ounces.

Three months final kerb 375-7p.

SOYABEAN MEAL

	Y'sterd'ys close	+ or —	Business done
	£ per tonne		
Feb	—		
April	125.5-126.0	—1.90	126.0
June	117.1-117.5	—1.45	117.5-117.1
August	115.9-114.4	—0.75	114.5
October	115.9-116.5	—1.00	116.0
Dec	117.8-117.5	—1.50	118.0
Feb	118.8-118.5	—1.35	—

Sales: 61 (270) lots of 20 tonnes.

INDICES

REUTERS

Feb. 6	Feb. 5	M'th ago	Year ago
1611.9	1611.4	1631.4	1664.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Feb. 6	Feb. 5	M'th ago	Year ago
Spot	115.41	115.48	—	128.30
Fut	116.38	117.09	—	127.22

(Base: December 31 1931=100)

MAIN PRICE CHANGES

METALS	Feb. 9 1987	+ or —	Month ago
Aluminium			
Free Market	$1300/320	......	$1240/260
Copper			
Cash Grade A	£891.5	—1.25	£913
3 mths	£909.5	—2.75	£935.75
Gold Troy oz	$406.0	+2.75	$411
Lead Cash	£308.5	—6	£322.5
3 mths	£308.75	—5.5	£303.25
Nickel			
Free Mkt	185/185c	+2	157/177c
Palladium oz	$123.20	+6.70	$127.25
Platinum oz	$525.50	+3.25	$538.50
Quicksilver†	$155/175		$165/165
Silver troy oz	366.70p	—1.65	371.90p
3 mths	376.10p	—1.85	381.60p
Tin			
free Mkt	£4510/540	+10	£4580/600
Tungsten	$44.51		$41.44
Wolfram 22.01lb	$39/45		$35/42
Zinc	£495.0	+2.5	£506.5
3 mths	£486.75	+2.13	£503.5
producers	$778/798		$870
OILS			
Coconut (Phil)	$430y	—15	$420
Palm Malayan	$345v	—45	$300
Copra (Phil)	$295	......	$250
Soyabean (U.S.)	$144	......	$143
GRAINS			
Barley Fut. May	£116.10	+0.05	£112.85
Maize	£143.50	......	£143.0q
Wheat Fut. May	£118.75	+0.25	£113.55
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1386.5	+29	£1399
Coffee Ft. May	£1538.0	—49.5	£1597.5
Cotton A Ind.*	65.80c	—0.5	65.90c
Gas Oil Mar.	$150.5	—4.75	$168
Rubber (kilo)	66.75p	......	66.25p
Sugar (raw)	$179.5y	—.35	$166
Wooltops 64s	418p kilo	......	427p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb y Feb-March. v April. z March-April.

COFFEE

Persistent commission house selling finally broke through the recent trading range, reports Drexel Burnham Lambert. With a mixture of long liquidation and fresh shorts, buying was easily absorbed and with another two weeks before any further ICO talks, large robusta stocks held in Europe and Brazil talking of a large crop this summer the only buying that did appear was price-fixing.

COFFEE	Yesterday close	+ or —	Business Done
Mar	1525-1530	—54.5	1561-1525
May	1536-1540	—49.5	1590-1530
July	1566-1568	—41.5	1600-1555
Sept	1585-1587	—41.5	1622-1590
Nov	1620-1628	—31.0	1655-1625
Jan	1650-1655	—22.5	1660
Mar	1670-1690	—10.0	1685

Sales: 5,175 (3,670) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for February 6: Comp daily 1979 117.55 (118.00); 15-day average 118.13 (117.94).

COCOA

Futures opened steadier than the levels due and in the afternoon attracted short-covering interest. With consumers generally reluctant to follow the market higher, physical activity was restricted to producer price checking, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business done
March	1359-1360	+51.5	1361-1332
May	1386-1387	+29.0	1390-1367
July	1413-1414	+25.0	1418-1404
Sept	1438-1439	+26.0	1442-1432
Dec	1460-1461	+22.5	1465-1452
March	1484-1486	+20.5	1490-1480
May	1501-1506	+19.5	1505-1500

Sales: 4,492 (2,786) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for February 6: 1,544.82 (1,538.56): 10-day average for February 9: 1,528.61 (1,526.70).

GRAINS

Old crop wheat found early sellers and reached 30p down on consumer/shipper selling before rallying on merchant short-covering with an additional 300 lot cross from one commission house/shipper boosting volume. Values rallied further to reach new contract highs in the afternoon. New crops again eased on bearish trade sentiment absorbing modest profit-taking, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
Mar	117.40	+0.10	114.85	+0.35
May	118.75	+0.25	116.10	+0.05
July	121.45	+0.20	—	—
Sep	99.90	—0.35	99.25	—0.25
Nov	102.15	—0.30	102.10	—0.25
Jan	105.15	—0.30	104.90	—0.25
Mar	107.30	—0.40	107.10	—0.25

Business done—Wheat: Mar 117.60-7.00, May 118.90-8.40, July 121.60-1.00, Sept 100.10-9.20, Nov 102.20, Jan 105.15, Mar 107.50-7.30. Sales: 685 lots of 100 tonnes. Barley: Mar 114.75-4.50, May 115.90, Sept 99.25, Jan and Mar untraded. Sales: 12 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent March 106.25, April/May 102.25. US No 2 soft red winter March 107.25. French 11½-12 per cent Jan 141.75. English feed fob Feb 121.00 seller. March 121.50-121.75 buyer/sellers. April/June 123.50 sellers. Maize: US No 3 yellow/French transhipment east coast first-half Feb 143.50. Barley: English feed fob Feb 117.00-117.50 buyer/sellers. March 119.00 value, April/June 121.00-122.00 buyer/sellers English, Feb 116.00-116.50, March 117.50-118.00 buyer/sellers, April 121.00 sellers Scottish.

HGCA—Locational ex-farm spot prices. Feed Barley: Eastern 113.10, E. Mids 113.50. The UK monetary coefficient for the week beginning Monday February 16 (based on HGCA calculations using 4 days' exchange rates) is expected to change to 1.314.

POTATOES

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	103.00	110.00	110.00-105.00
Apr	150.90	154.00	151.00-149.80
May	176.90	179.90	177.50-174.80
Nov	88.00	88.00	—
Feb	97.50	97.00	—

Sales: 1,500 (1,037) lots of 40 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.11p per kg lw (—0.42). GB—Sheep 180.86p per kg est dcw (+10.88). GB—Pigs 76.35p per kg lw (+1.39).

FUTURES—Pigmeat: Apr 102.00, sales 2. Pigs: Feb 95.00, sales 5.

COTTON

LIVERPOOL — Spot and Shipment sales for the week commencing February 2 amounted to 398 tonnes against 393 tonnes in the previous week. Slow trading with operations in Chinese, Israeli, Egyptian, Russian and East and West African growths.

US MARKETS

COMMISSION HOUSE and local buying in gold futures steadied prices as the market reacted tot he easing of the US dollar, reports Drexel Burnham Lambert. However, profit-taking at the highs stifled any advance and prompted a minor sell-off touching light stops. Local and trade buying steadied platinum futures before profit-taking also featured at the highs. Silver and copper followed gold and platinum. Lack of definite news from the Middle East and easier world prices saw crude oil futures decline in light volume. Tarde and commission house selling depressed values, uncovering trade and local support at the lows. The weaker dollar and underlying concern overdry weather in Brazil contributed to a technical rally in cocoa futures as commission houses covered shorts in the face of origin selling. Mixed trade and commission house buying steadied sugar futures despite continued price-fix selling.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb	Close	Prev	High	Low
Feb	54.10	53.90	—	—
March	54.10	53.95	54.00	53.95
May	54.10	53.95	54.15	54.00
July	54.10	53.95	53.95	53.95
Sept	54.10	53.95	—	—
March	54.45	54.30	—	—
May	54.55	54.40	—	—

COCOA 10 tonnes, $/tonnes	Close	Prev	High	Low
March	1875	1839	1884	1855
May	1915	1877	1925	1893
July	1947	1906	1948	1917
Sept	1971	1933	1977	1947
Dec	1997	1957	1995	1972
March	2028	1990	—	—
May	2052	2015	—	—

COFFEE "C" 37,500 lb, cents/lb	Close	Prev	High	Low
March	122.89	126.54	126.00	122.80
May	125.74	128.25	128.25	125.60
July	128.02	130.18	—	128.00
Sept	130.10	132.01	132.00	130.10
Dec	132.50	134.45	134.50	132.50
March	134.00	135.50	134.00	134.00
May	134.50	135.99	—	—

COPPER 25,000 lb, cents/lb	Close	Prev	High	Low
Feb	60.80	60.65	—	—
March	61.10	60.90	61.30	60.90
May	61.65	61.45	61.80	61.50
July	62.10	61.95	62.20	62.00
Sept	62.55	62.45	62.70	62.45
March	63.80	63.80	64.10	64.00
May	64.10	64.10	—	—
July	64.40	64.40	—	—

COTTON 50,00 lb, cents/lb	Close	Prev	High	Low
March	55.95	54.77	56.15	54.10
May	55.12	53.90	55.15	53.25
July	54.72	53.56	54.85	53.00
Oct	53.85	53.10	54.25	52.77
Dec	53.50	52.93	54.10	52.70
March	54.25	53.46	54.25	53.32
May	54.75	53.97	—	—

ORANGE JUICE 15,000 lb, cents/lb	Close	Prev	High	Low
March	123.40	122.60	123.40	122.20
May	124.95	124.30	125.00	123.80
July	126.00	125.50	126.00	125.25
Sept	126.40	126.25	126.50	126.00

PLATINUM 50 troy oz, $/troy oz	Close	Prev	High	Low
Feb	528.3	523.6	—	—
April	530.3	525.6	531.0	522.5
July	533.4	528.7	534.0	527.0
April	545.4	540.6	—	—

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels	Latest	Prev	High	Low
March	18.35	18.44	18.40	18.26
April	18.28	18.40	18.37	18.24
May	18.20	18.31	18.28	18.17
June	18.04	18.18	18.15	17.99
July	17.95	18.05	18.04	17.90
August	17.90	17.98	17.93	17.90
Sept	17.94	17.82	17.95	17.87
Oct	18.00	17.92	18.00	17.98
Dec	18.10	18.00	18.10	18.00

SPOT PRICES—Chicago loose lard 13.50 (14.00) cents per pound. Handy and Harman silver bullion 57.0 (554.0) cents per troy ounce.

GOLD 100 troy oz, $/troy oz	Close	Prev	High	Low
Feb	403.9	404.1	406.3	402.0
March	405.1	406.3	—	—
April	407.2	407.4	410.0	404.2
June	411.2	411.3	414.0	408.0
Aug	415.1	415.1	417.5	412.0
Oct	418.7	418.7	—	—
Dec	422.4	422.4	425.0	420.0
Feb	426.3	426.3	426.5	425.3
June	434.4	434.1	—	—
Dec	447.7	447.1	—	—

HEATING OIL 42,000 US gallons, cents/US gallons	Latest	Prev	High	Low
March	49.10	50.23	49.85	49.10
April	49.05	49.98	49.65	49.00
May	48.50	49.24	49.00	48.50
June	48.00	48.58	48.40	48.00
July	48.15	48.58	48.55	48.05
August	48.50	49.00	48.50	48.50
Sept	49.55	49.70	—	—

SILVER 5,000 troy oz, cents/troy oz	Close	Prev	High	Low
Feb	556.0	553.8	—	—
March	558.0	556.0	561.0	555.0
May	564.0	561.9	567.0	561.0
July	570.1	567.9	573.0	568.0
Sept	576.2	574.0	579.5	577.5
March	594.2	591.8	596.0	594.0
May	600.6	598.1	—	—
July	607.3	604.7	607.6	606.0

SUGAR WORLD "11" 112,000 lb, cents/lb	Close	Prev	High	Low
March	7.72	7.43	7.73	7.38
May	7.93	7.65	7.94	7.59
July	8.01	7.75	8.03	7.70
Sept	8.00	7.78	8.00	8.00
Oct	8.09	7.84	8.10	7.80
March	8.40	8.15	8.40	8.19

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb	Close	Prev	High	Low
Feb	62.95	62.82	63.30	62.10
April	62.50	62.67	63.12	61.85
June	60.65	60.45	60.80	59.95
August	58.45	58.40	58.80	57.95
Oct	57.40	57.30	57.60	56.95
Dec	57.55	57.50	57.70	57.00
Feb	57.05	57.00	57.50	56.90

LIVE HOGS 30,000 lb, cents/lb	Close	Prev	High	Low
Feb	50.60	50.75	50.70	50.12
April	45.00	45.27	45.45	44.90
June	47.05	46.92	47.30	46.70
July	47.07	47.10	47.15	46.80
August	44.00	43.95	44.35	43.72
Oct	40.15	40.22	40.45	40.02
April	38.35	38.40	38.40	38.30

MAIZE 5,000 bu min, cents/56 lb-bushel	Close	Prev	High	Low
March	153.6	154.6	155.0	153.2
May	159.2	161.2	161.0	159.2
July	163.0	165.2	164.6	162.4
Sept	164.4	167.4	167.4	164.0
Dec	168.2	171.4	170.6	167.6
March	176.0	179.0	178.2	175.2
May	178.2	181.4	180.6	178.0

PORK BELLIES 38,000 lb, cents/lb	Close	Prev	High	Low
Feb	66.77	68.25	67.25	66.25
March	65.02	65.92	65.50	64.60
May	64.75	65.27	65.27	64.50
July	62.65	63.80	63.80	62.50
August	61.00	17.37	61.40	60.20

SOYABEANS 5,00 bu min, cents/60 lb-bushel	Close	Prev	High	Low
March	492.2	492.2	493.2	490.2
May	491.6	492.4	492.2	490.2
July	491.6	491.4	492.2	489.2
August	490.0	490.0	490.0	488.0
Sept	481.0	481.0	481.0	479.0
Nov	479.0	478.6	479.0	476.4
Jan	485.0	485.0	485.0	483.4
March	491.2	491.4	491.4	489.0
May	495.4	495.4	—	—

SOYABEAN MEAL 100 tons, $/ton	Close	Prev	High	Low
March	145.8	145.5	145.9	145.3
May	140.2	140.5	140.7	139.8
July	138.4	138.3	138.5	137.9
August	137.8	137.8	138.2	137.5
Sept	137.1	137.1	137.4	137.0
Oct	136.8	136.1	136.1	135.7
Dec	136.6	136.9	137.0	136.4
Jan	137.8	137.8	138.0	137.8

SOYABEAN OIL 60,000 lb, cents/lb	Close	Prev	High	Low
March	15.95	16.21	16.15	15.94
May	16.28	16.52	16.48	16.28
July	16.58	16.82	16.78	16.58
August	16.69	16.90	16.88	16.68
Sept	16.79	17.07	16.96	16.75
Oct	16.82	17.05	16.95	16.82
Dec	17.00	17.20	17.10	17.00
Jan	16.95	17.15	17.04	16.95

WHEAT 5,000 bu min, cents/60 lb-bushel	Close	Prev	High	Low
March	285.0	288.0	288.0	284.4
May	272.4	274.4	274.4	272.2
July	256.6	257.0	258.0	256.4
Sept	256.0	256.4	257.4	254.6
Dec	262.0	262.8	263.2	261.2
March	285.0	288.0	288.0	284.4

RUBBER

PHYSICALS — The London market opened fractionally steadier, attracted little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 66.75p (same): March 65.00p (same); April 65.00p (same). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 232 (230) and SMR 209 (208.5).

FUTURES—Index 667, March 680-690, April 682-692, April/June 685-695, July/Sept 695-705. Sales: Nil.

SUGAR

No. 6 Contract	Y'sterdy's close	Previous close	Business done
	$ per tonne		
Mar	174.4-175.6	166.0-168.2	175.8-165.2
May	177.8-177.8	170.4-170.8	177.4-169.8
Aug	179.2-181.8	173.4-175.8	174.0-172.8
Oct	181.4-182.8	175.2-176.8	180.8-174.6
Dec	184.0-186.4	178.0-177.0	—
Mar	187.0-189.0	181.8-182.8	188.6-183.2
May	189.0-192.8	184.0-185.0	—

Sales: 3,311 (2,538) lots of 50 tonnes.

LONDON DAILY PRICE—Raw sugar $179.50 (£119.50), down $3.50 (down £1.50) a tonne for February-March delivery. White sugar $195.50, down $4.50.

Tate and Lyle delivery price for granulated basis sugar was £224.50 (£226.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for February 6: Daily price 7.24 (7.38): 15-day average 7.17 (7.12).

PARIS—(FFr per tonne): Mar 1200/1213, May 1245/1254, Aug 1285/1295, Oct 1310/1320, Dec 1340/1360, Mar 1370/1385.

FREIGHT FUTURES

The market closed higher on the day after very thin dealings and no fresh news, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	780	780/775	768/767
July	666/668	665	666/658
Oct.	766	766	755/758
Jan.	778/800	—	762/766
Apr.	795/805	—	794/800
July	670	—	660
Oct.	780	—	770
Jan.	830	—	830
BFI.	866	—	865

Turnover: 37 (89).

TEA

At the London tea auction there were 37,276 packages on offer including 5,400 offshore, reports the Tea Brokers' Association. A better demand prevailed. Coloury Assam CTC's met more competition than of late and were often 4-5p dearer with selected dusts a good feature but mediums were irregular. Bangladesh teas remained weak and were 5-10p lower where sold. Brighter East Africans sold readily and were firm to 5p dearer with colouty mediums steady but plainer sorts lost 2-4p. Central Africans followed a similar pattern with clean, colouty types little changed and plainest sometimes difficult of sale. Ceylons came in for improved demand with bright and good medium BOPFs frequently 5-15p dearer, but poorer sorts lost 3-5p. Offshore teas received fair inquiry but the market was selective and prices tended easier. Quotations: quality 172p a kg nominal (170p): medium 135p a kg (135p); low medium 90p a kg (92p).

GAS OIL FUTURES

Month	Yestrdy's close	+ or —	Business Done
	US $ per tonne		
Feb	148.00	—6.50	155.00-47.50
Mar	150.50	—4.75	154.00-50.25
Apr	150.75	—3.75	153.25-50.00
May	148.25	—2.75	149.25-48.00
June	147.00	—4.00	148.00-46.75
July	145.00	—5.00	—

Turnover: 3,902 (4,429) lots of 100 tonnes.

OIL

In very thin trade March Brent sold around $17.85 and April 10c lower. March WTI opened 18c down on Nymex but traded only 12c down at 1.30 pm EST. In the petroleum products market gas oil and fuel oil fell sharply on lack of end-user buyers. Naphtha fell slightly in thin trade. Gasoline was quiet and stable—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Mar.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.85-16.90	—0.10
Brent Blend	17.80-17.90	—0.125
W.T.I. (1pm est)	18.30-18.35	—0.15
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	171-175	—
Gas Oil	147-150	—7.5
Heavy fuel oil	82-85	—2.5
Naphtha	158-160	—1

Petroleum Argus estimates

HEAVY FUEL OIL

Month	Yesterday close	+ or —	Business Done
	US $ per tonne		
Feb	97.00	+5.25	97.00-90.75
Mar	88.00	—5.00	90.75-88.00
Apr	84.75	—7.50	—

Turnover: 132 (3) lots of 100 tonnes.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

(tonnes)	
Aluminium	—2,600 to 109,475
Copper	+750 to 176,225
Lead	—2,275 to 38,125
Nickel	—582 to 5,640
Tin	—780 to 34,995
Zinc	—2,625 to 26,000
(ounces)	
Silver	unchanged to 22,776,000

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Baker hits dollar recovery

THE DOLLAR gave up early gains to close much weaker on the day, following comments on US TV by Mr James Baker, US Treasury Secretary. Early strength by the dollar followed remarks by Mr Satoshi Sumita, Governor of the Bank of Japan, pointing towards an early meeting of ministers from the Group of Five. The market has also been impressed by recent US economic data, but after Mr Baker's TV interview dealers were reluctant to extend long dollar positions, for fear of sudden setbacks caused by comments from US officials. Mr Baker declined to suggest an appropriate level for the dollar, and said the fall so far had been good for the US economy. He added that no Group of Five meeting was scheduled, and it was not worth holding a meeting that was not likely to be successful.

After touching a high of DM1.8720 the dollar fell sharply to close at DM1.8170, compared with DM1.8560 previously. It also fell to SFr1.5320 from SFr1.5650; to FFr6.0525 from FFr6.18; and to Y152.45 from Y154.40.

On Bank of England figures the dollar's index fell to 104.1 from 104.9.

STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. January average 1.8568. Exchange rate index fell 0.3 to 68.5, compared with 70.9 six months ago.

Sterling recovered from an early loss against the dollar, to finish 1.05 cents higher at $1.5185-1.5195. The pound flirted with the $1.50 level, on the dollar's strength at the London opening, but gained ground in the afternoon, while declining against other major currencies. There were no new factors, and sterling followed its usual trend when moving up against the dollar, of weakening against Continentals and the yen. The pound fell to DM 2.76 from DM 2.80; to SFr 2.3275 from SFr 2.36; to FFr 9.1925 from FFr 9.3225; and to Y231.50 from Y233.00.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. January average 1.8568. Exchange rate index 148.2 against 139.0 six months ago.

The D-mark improved against the dollar in Frankfurt. Mr Baker's comments renewed suspicions that the US Administration wants the dollar to continue to fall. The US currency lost ground in nervous trading, falling to DM 1.8285 from DM 1.8545. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM 1.8630, compared with DM 1.8554 on Friday. Dealers said the balance of Mr Baker's remarks resparked sentiment that the US would not be unhappy to see a lower dollar to help narrow the wide trade deficit. After a partial recovery West German share prices renewed their recent slide as fears re-emerged about export prospects.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. January average 154.62. Exchange rate index 209.9 compared with 218.5 six months ago.

The yen was little changed in Tokyo, retreating from its recent high levels, as speculation increased about a possible meeting of Group of Five ministers in the near future. The dollar touched a peak of over Y155, the highest level since mid-January, but fell back on profit taking and hedging of risks by foreign bond investors. The US currency closed at Y154.45, unchanged from Friday's New York finish, but up from Y154.15 in Tokyo on Friday. Mr Satoshi Sumita, Governor of the Bank of Japan, said he expects a meeting of ministers from the main industrialised nations in the near future. He added that the Bank of Japan will carefully watch developments, including a Group of Five meeting, before deciding on a discount rate cut.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7120	+0.60	+0.60	±1.5344
Danish Krone	7.85212	7.81159	−0.52	−0.52	±1.6404
German D-Mark	2.05853	2.06333	+0.23	+0.23	±1.0981
French Franc	6.90403	6.87254	−0.46	−0.46	±1.3674
Dutch Guilder	2.31943	2.32782	+0.36	+0.36	±1.5012
Irish Punt	0.768411	0.773405	+0.65	+0.65	±1.6684
Italian Lira	1483.58	1466.39	−1.16	−1.16	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb 9	Latest	Previous Close
£ Spot	1.5250-1.5260	1.5070-1.5080
1 month	0.57-0.55 pm	0.57-0.56 pm
3 months	1.65-1.60 pm	1.69-1.66 pm
12 months	5.86-5.76 pm	5.98-5.88 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Feb. 9	Previous
8.30 am	68.8	69.0
9.00 am	68.8	69.0
10.00 am	68.8	68.9
11.00 am	69.0	69.0
Noon	68.9	68.9
1.00 pm	68.9	69.0
2.00 pm	68.8	68.8
3.00 pm	68.6	68.8
4.00 pm	68.5	68.8

CURRENCY RATES

Feb. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.829743	0.741478
U.S. Dollar	5.5	1.25034	1.12260
Canadian $	8.20	*	1.49721
Austrian Sch.	4	16.3870	14.5219
Belgian Franc	8½	47.9005	42.7120
Danish Krone	7	8.80677	7.81159
Deutsche Mark	3.0	2.32938	2.06333
Neth. Guilder	4½	2.61321	2.32782
French Franc	9½	N/A	6.87254
Italian Lira	12	1653.29(1)	1466.39
Japanese Yen	3.0	193.678	172.487
Norway Krone	8	8.90242	7.90477
Spanish Peseta	—	163.544	144.815
Swedish Krona	7½	8.25975	7.34347
Swiss Franc	3.5	1.96616	1.73778
Greek Drach.	20½	170.084	150.787
Irish Punt	—	0.873326(1)	0.773405

*CS/SDR rate for Feb. 6; 1.67051 (1) SDR rate for Feb. 6.

CURRENCY MOVEMENTS

February 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.5	−25.3
U.S. Dollar	104.1	−3.3
Canadian Dollar	78.3	−10.5
Austrian Schilling	139.1	+10.7
Belgian Franc	100.7	−3.4
Danish Krone	93.9	+4.8
Deutsche Mark	148.2	+22.8
Swiss Franc	171.4	+21.8
Guilder	136.5	+16.2
French Franc	72.3	−12.0
Lira	48.6	−15.0
Yen	209.9	+57.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Feb. 9	£	$
Argentina	2.0290-2.0370	1.3410-1.3450
Australia	2.2610-2.2640	1.5005-1.5015
Brazil	25.9710-25.8160	17.0630-17.1480
Finland	6.9750-6.9875	4.6300-4.6320
Greece	202.80-206.35	135.10-137.40
Hong Kong	11.7590-11.7690	7.7980-7.8000
Iran	111.10*	73.00*
Korea (Sth)	1286.70-1298.35	853.90-860.90
Kuwait	0.41850-0.41920	0.27645-0.27665
Luxembourg	57.30-57.40	37.70-37.80
Malaysia	3.8415-3.8515	2.5575-2.5595
N. Zealand	2.7610-2.7685	1.8320-1.8355
Saudi Ar.	5.6775-5.6830	3.7500-3.7510
Singapore	3.2265-3.2365	2.1540-2.1560
S. Af. (Cm)	3.1540-3.1760	2.0930-2.0975
S. Af. (Fn)	6.4110-6.6955	4.2555-4.4445
Taiwan	52.40-52.65	34.95-35.05
U.A.E.	5.5600-5.5655	3.6725-3.6735

* Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Feb. 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4980-1.5195	1.5185-1.5195	0.57-0.54 c pm	4.38	1.65-1.60 pm	4.28
Canada	2.0090-2.0280	2.0250-2.0260	0.58-0.49 c pm	3.19	1.69-1.54 pm	2.21
Neth'lands	3.10¾-3.17	3.10¾-3.11¼	1½-1¼ c pm	5.30	4¼-4 pm	5.38
Belgium	57.19-58.06	57.30-57.40	15-10 c pm	2.62	42-33 pm	2.62
Denmark	10.43¾-10.63½	10.43½-10.44½	½ pm-¼ ore dis	0.14	⅞-par pm	0.17
Ireland	1.0370-1.0550	1.0385-1.0395	0.10-0.27 p dis	−2.14	0.42-0.76 dis	−2.27
W. Germany	2.75½-2.80¼	2.75½-2.76½	1⅝-1⅜ pf pm	6.52	4⅝-4⅜ pm	6.52
Portugal	214.52-217.54	214.75-215.65	80-189c dis	−7.50	238-395 dis	−5.88
Spain	195.24-197.27	195.25-195.85	16-47 c dis	−1.93	60-98 dis	−1.62
Italy	1961-1996	1963-1965	2-par lire pm	0.61	3 pm-1 dis	−0.20
Norway	10.61¼-10.98¼	10.61¼-10.62¼	2½-3⅛ ore dis	−3.32	10⅛-11 dis	−3.98
France	9.18¼-9.34¼	9.18¾-9.19¾	2⅛-1½ c pm	2.37	5⅜-4¼ pm	2.26
Sweden	9.85½-9.95¼	9.87¼-9.88¼	⅛ pm-⅛ ore dis	−0.15	¼-par pm	0.15
Japan	231-233	231-232	1⅜-1⅛ y pm	6.48	3⅞-3⅝ pm	6.48
Austria	19.50-19.76	19.50-19.53	10-9 gro pm	5.84	29⅛-25⅞ pm	5.64
Switzerland	2.32-2.37¼	2.32¾-2.33¾	1½-1¼ c pm	7.09	4¼-4 pm	7.09

Belgian rate is for convertible francs. Financial franc 58.20-58.30. Six-month forward dollar 3.16-3.11 c pm. 12-month 5.86-5.76 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Feb. 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4980-1.5195	1.5185-1.5195	0.57-0.54c pm	4.38	1.65-1.60 pm	4.48
Ireland†	1.4290-1.4670	1.4660-1.4670	0.92-0.85p pm	7.43	2.71-2.58 pm	7.40
Canada	1.3323-1.3385	1.3355-1.3365	0.13-0.16c dis	−1.30	0.37-0.42 dis	−1.18
Netherlands	2.0470-2.1115	2.0485-2.0495	0.15-0.12c pm	0.77	0.54-0.49 pm	0.98
Belgium	37.70-38.70	37.70-37.80	5-7c dis	−1.87	15-19 dis	−1.77
Denmark	6.90-7.07¾	6.87-6.87½	2.15-3.05ore dis	−4.43	6.80-7.70 dis	−4.11
W. Germany	1.8130-1.8720	1.8165-1.8175	0.32-0.29pf pm	1.97	1.01-0.96 pm	2.12
Portugal	140¼-144¼	140¼-141¼	110-180c dis	−7.92	330-430 dis	−10.56
Spain	128.65-131.23	128.65-128.75	60-70c dis	−5.96	190-205 dis	−6.04
Italy	1292½-1330	1292¾-1293¾	3¼-4¼lire dis	−3.85	13-14½ dis	−4.15
Norway	6.99-7.14¼	6.99-6.99½	4.25-4.95ore dis	−7.77	14.60-15.30dis	−8.41
France	6.04¼-6.23¼	6.05-6.05½	1.00-1.20c dis	−2.13	3.20-3.50 dis	−2.16
Sweden	6.49¾-6.62¼	6.50-6.50½	2.10-2.60 ore dis	−4.27	6.45-7.05 dis	−4.09
Japan	152.00-154.80	152.40-152.50	0.27-0.24y pm	1.98	0.85-0.80 pm	2.14
Austria	12.83-13.16¼	12.83¼-12.84¼	1.50-1.10gro pm	1.19	4.00-3.00 pm	1.07
Switzerland	1.5280-1.5805	1.5315-1.5325	0.37-0.32c pm	2.63	1.09-1.04 pm	2.71

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.30-38.40.

EURO-CURRENCY INTEREST RATES

Feb. 9	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11-11⅛	11-11⅛	11⅙-11⅜	10⅞-11	10¹³⁄₁₆-10¹⁵⁄₁₆	10⅝-10¾
U.S. Dollar	6⅛-6¼	6⅜-6½	6⅜-6½	6¼-6⅜	6¼-6⅜	6⅜-6½
Can. Dollar	7⅜-7½	7⅜-7½	7¼-7⅜	7⅜-7½	7⅜-7½	7⅜-7½
D. Guilder	5¼-5⅜	5⅛-5¼	5¼-5⅜	5¼-5⅜	5¼-5⅜	5⅛-5¼
Sw. Franc	2-2¼	1½-1¾	3⅜-3½	3⅜-3⅝	3⅜-3⅝	3⅝-3¾
Deutschmark	4⅛-4⅜	4-4⅛	4-4⅛	4-4⅛	4⅛-4⅜	4⅛-4⅜
Fr. Franc	8⅛-8¼	8¼-8⅜	8½-8⅝	8⅜-8⅝	8⅝-8¾	8⅝-8¾
Italian Lire	9-12	9½-10½	10⅛-10⅝	10⅛-10⅝	10-10½	10-10½
B. Fr. (Fin.)	7⅝-7⅞	7⅞-8⅛	7¾-8	7⅝-7⅞	7⅜-7⅝	7⅜-7⅝
B. Fr. (Con.)	7½-8½	7½-8½	8-8½	7¾-8¼	7⅞-8⅛	7½-8
Yen	4⅛-4½	4½-4⅝	4¼-4⅜	4⅜-4¼	4⅛-4¼	4⅛-4¼
D. Krone	11-11½	10⅞-11⅛	10⅞-11⅛	10⅝-11⅛	10⅞-11⅛	10½-11
Asian $ (Sing.)	2¼-1½	N/A	3⅛-3¼	3⅛-3¼	3⅛-3½	3⅝-3¾

Long-term Eurodollars: Two years 6⅜-6¹¹⁄₁₆ per cent; three years 6¹³⁄₁₆-7⅙ per cent; four years 7¼-7½ per cent; five years 7⅜-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb. 9	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.519	2.760	231.5	9.193	2.328	3.113	1964.	2.026	57.35
$	0.658	1.	1.817	152.5	6.053	1.532	2.049	1293.	1.333	37.75
DM	0.362	0.550	1.	83.88	3.331	0.843	1.128	711.6	0.734	20.78
YEN	4.320	6.562	11.92	1000.	39.71	10.05	13.44	8484.	8.749	247.7
F Fr.	1.088	1.652	3.002	251.8	10.	2.532	3.386	2137.	2.203	62.39
S Fr.	0.430	0.653	1.186	99.46	3.950	1.	1.337	843.8	0.870	24.64
H Fl.	0.321	0.488	0.887	74.38	2.953	0.748	1.	631.0	0.651	18.43
Lira	0.509	0.773	1.405	117.9	4.680	1.185	1.585	1000.	1.031	29.20
C $	0.494	0.750	1.363	114.3	4.538	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.744	2.649	4.813	403.7	16.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

UK rates firmer

INTEREST RATES were slightly firmer in London yesterday, reflecting to some extent the pound's weaker trend. This in turn reflected a sharp fall in the dollar, following comments by a US official suggesting that the dollar may still have some way to fall. Friday's better tone was reversed and three-month interbank money rose to 11-10⅞ per cent up from 10¹³⁄₁₆-10¹¹⁄₁₆ per cent. Overnight money traded 11¾ per cent and 10 per cent.

The Bank of England forecast a shortage of around £400m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £1,100m. These were partly offset by Exchequer transactions which added £95m and a fall in the note circulation of £330m. In addition banks brought forward balances £275m above target.

UK clearing bank base lending rate 11 per cent since October 15

The forecast was revised to a shortage of around £300m and the bank gave assistance in the morning of £136m which comprised outright purchases of £70m of eligible bank bills in band 2 at 10¹³⁄₁₆ per cent and £66m in band 3 at 10¾ per cent.

Once again the forecast was revised, this time to a shortage of around £450m, before taking into account the morning help. In the afternoon the Bank bought £14m of eligible bank bills in band 1 at 10⅞ per cent, £78m in band 2 at 10¹³⁄₁₆ per cent and £21m in band 3 at 10¾ per cent. Late assistance came to £200m, making a total of £449m.

In Frankfurt the Bundesbank announced its intention to offer funds through a sale and repurchase facility. The 28-day agreement will carry a fixed rate of 3.80 per cent. Successful applicant will receive the funds tomorrow. Call money was quoted at 4.00-4.15 per cent compared with 3.8-3.9 per cent on Friday because funds were drained by the payment of a DM 3.2bn federal government loan stock. The shortage on Friday saw some banks withdrawing funds through their Lombard facility at 5.0 per cent. Dealers suggested that the Bundesbak would be keen to keep interest rates below 4 per cent in order not to deter any revival in the value of the dollar against the D-Mark.

FINANCIAL FUTURES

Eurodollar prices ease

EURODOLLAR prices lost ground in the London International Financial Futures Exchange yesterday, reflecting concern about a weaker dollar and little chance of an early fall in US interest rates. The market's conviction about the latter was strong enough to prompt an early switch into the June contract and out of March with both dates attracting roughly equal volume.

The march price opened at 93.69 and lost ground in the afternoon after the dollar reacted to comments made by Mr James Baker, US Treasury Secretary, which suggested that the dollar may yet have further downward scope, despite recent assertions to the contrary. The March price was quoted at 93.66 as Chicago entered the market and then fell to a low of 93.58 before closing at 93.59 down from 93.65 on Friday.

US Treasury bonds acted in much the same way, opening at 100-11 for March delivery and trading in a tight range before Mr Baker's statement pushed the price to a low of 99-15. The bond's decline was accelerated during the afternoon as stop loss orders were triggered. It recovered slightly to finish at 99-19 but was still down from the previous close of 100-05.

Three-month sterling deposits held up a little better with dealers suggesting that the market was more reluctant to abandon the recent build up of optimism of a possible cut in UK clearing bank base rates. The March price opened at 89.35 and rose initially to a high of 89.38 before slipping away as the pound followed the dollar down. It touched a low of 89.31 before closing at 89.23 down from 89.37 on Friday.

Gilt prices opened at 116-12 for March delivery and touched 117-01 but failed to attract any follow through. Consequently it fell back to close at 116-07.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
106	10.14	10.32	0.00	0.08
108	8.15	8.39	0.01	0.15
110	6.15	6.54	0.01	0.30
112	4.15	5.15	0.01	0.55
114	2.23	3.55	0.09	1.31
116	0.55	2.44	0.41	2.20
118	0.14	1.52	2.00	3.28
120	0.02	1.09	3.52	4.49

Estimated volume total, Calls 1,700 Puts 1218

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	9.38	8.59	0.00	0.09
92	7.38	7.07	0.00	0.21
94	5.38	5.28	0.00	0.42
96	3.41	3.63	0.03	1.13
98	1.55	2.49	0.17	1.63
100	0.36	1.46	0.62	2.60
102	0.06	1.08	2.32	4.22
104	0.02	0.42	4.28	5.56

Estimated volume total, Calls 55 Puts 10

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Feb	Calls—Last Mar	Puts—Last Feb	Puts—Last Mar
17250	20.70	20.74	0.00	0.04
17500	18.20	18.30	0.30	0.10
17750	15.71	15.90	0.01	0.20
18000	13.22	13.57	0.02	0.37
18250	10.77	11.36	0.07	0.66
18500	8.41	9.10	0.21	0.90
18750	6.22	7.40	0.52	1.70
19000	4.35	4.70	1.15	2.50

Estimated volume total, Calls 38, Puts 37

SWISS FRANC (IMM)

SFr125,000 $ per SFr

	Latest	High	Low	Prev.
Mar.	0.6510	0.6524	0.6462	0.6406
June	0.6555	0.6568	0.6507	0.6415
Sept.	0.6610	0.6610	0.6550	0.6491

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Mar.	279.80	281.35	279.00	281.20
June	281.40	282.90	281.10	282.80
Sept.	282.60	283.10	282.40	284.10
Dec.	283.70	—	283.50	285.35

BASE LENDING RATES

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 9, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.20
Albania	Lek	10.02
Algeria	Dinar	6.98
Ecuador	Sucre	(o) 222.07 / (F) 219.6
Egypt	Egyptian £	1.0633 / 2.08
El Salvador	Colon	7.5775
Equatorial Guinea	C.F.A. Franc	459.625
Ethiopia	Ethiopian Birr	3.11
Falkland Islands	Falkland Isles £	1.0
Faroe Islands	Danish Kroner	10.44
Fiji Islands	Fiji $	1.7013
Finland	Markka	6.9813
France	Franc	9.1925
French C'ty in Africa	C.F.A. Franc	459.625
French Guiana	Local Franc	9.1925
French Pacific Islands	C.F.P. Franc	163.00
Gabon	C.F.A. Franc	459.625
Gambia	Dalasi	11.00
Germany (East)	Ostmark	2.76
Germany (West)	Deutsche Mark	2.76
Ghana	Cedi	222.2220
Gibraltar	Gibraltar £	1.0
Greece	Drachma	204.58
Monaco	French Franc	9.1925
Mongolia	Tugrik	5.0970
Montserrat	E. Caribbean $	4.07
Morocco	Dirham	12.50 (sg)
Mozambique	Metical	(A) 304.61
Namibia	S.A. Rand	3.1650
Nauru Islands	Australian $	2.2625
Nepal	Nepalese Rupee	33.02
Netherlands	Guilder	3.1125
Netherland Antilles	Antillian Guilder	2.7342
New Zealand	N.Z. $	2.7648
Nicaragua	Cordoba	(o) 106.21 / (F) 3338.50
Niger Republic	C.F.A. Franc	459.625
Nigeria	Naira	(o) 5.8250
Norway	Norwegian Krone	10.6225
Oman Sultanate of	Rial Omani	0.5775
Pakistan	Pakistan Rupee	25.50
Panama	Balboa	1.5190
Papua New Guinea	Kina	1.4313
United States	U.S. $	1.5190
Uruguay	Uruguay Peso	285.00
United Arab Emirates	U.A.E. Dirham	5.5628
USSR	Rouble	0.9808
Vanuatu	Vatu	167.66
Vatican	Italian Lira	1964.0
Venezuela	Bolivar	(4) 6.53 / (5) 11.39 / (6) 34.28
Vietnam	Dong	(o) 120.64
Virgin Islands U.S.	U.S. $	1.5190
Western Samoa	Tala	(A) 3.3395
Yemen (North)	Ryal	(A) 15.35 (sg)
Yemen (South)	S. Yemen Dinar	0.5172
Yugoslavia	New Y. Dinar	693.88
Zaire Republic	Zaire	128.31
Zambia	Kwacha	13.20(17)
Zimbabwe	Zimbabwe $	2.49

‡Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Sector Debt and Essential Imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rate. (10) Rate for exports. (14) Nearly all business transactions. (15) Nigeria, Auction price for dollar for February 2, 1987, 3.8914. (16) Poland, Zloty, devalued by 19.5% against Dollar, February 2. (17) Zambia, Kwacha, Set at 9.045 against Dollar, February 2. (18) Guayana Dollar Devalued 56%.

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101⅝	97⅞	Exch. 10½pc 1987	99⅞	–	10.51	10.83
100	93⅝	Funding 6½pc 85-87	99⅛	+⅛	6.55	9.65
101¼	96	Treas. 10pc 1987	99¾		10.03	10.64
95	90⅞	Treas 3pc 1987	93¾	+⅛	3.06	7.52
104	96¾	Treas. 12pc 1987	101⅛	.....	11.87	10.30
99	92	Treas 7¾pc 1985-88‡‡	98	+⅛	7.87	9.49
104	95¾	Exch 10½pc '88	100	+⅛	10.47	10.21
102⅝	95⅛	Treas 9¾pc Cv '88	99½	....	9.80	10.23
94	86⅝	Transport 3pc '78-88	94	+½	3.18	7.33
102	93	Treas. 9½pc '88	93	....	9.63	10.30
107	98	Treas 11½pc 1989	102	–⅛	11.24	10.22
105	93⅝	Treas 9½pc Cnv 1989	98	....	9.64	10.21
92	82	Treas 3pc 1989	90	+⅛	3.31	7.56
105	95	Treas 10½pc 1989	100	.....	10.49	10.19
104	94	Exch 10pc 1989	99	....	10.06	10.19
107	[illegible]	Exch 11pc 1989	101⅝	+⅛	10.81	10.29
93	84½	Treas 5pc 1986-89	91	+⅛	5.47	8.63
113	[illegible]	Exch 10¼pcCv '89	101⅞	.....	10.06	9.43
114	10[illegible]	Treas 13pc 1990‡‡	107	+⅛	12.13	10.08
109	97	Exch 11pc 1990‡‡	102	....	10.75	10.06
113	101	Exch. 12½pc 1990	106	+⅛	11.77	10.13
89	7[illegible]	Treas. 3pc 1990	83½	+¼	3.07	7.80
100	95	Treas 8¼pc 1987-90‡‡	95½	+¼	8.55	9.53
106	93	Treas. 10pcCv 1990	99	+⅛	10.04	10.12

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

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ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	♯Meters 10p	84	+1	12.46	2.6	4.1	13.0
78½	45	♯Mitchell Cotts	59	–1	1.5	2.1	3.6	15.2
128	81	♯Monks & Crane 10p	122	–2	12.7	2.9	3.1	14.9
323	210	Morgan Crucible	315	–1	†12.5	1.5	3.8	20.9
23½	15½	♯Morris (W) F.A. 20p	20	.....	—	—	—	—
177	65	Myson Grp 10p	176	+1	†2.63	2.6	2.1	22.7
365	213	♯NMW Computers	270	+5	†6.0	3.0	3.1	15.5
158	27	Nash Inds.	151	.....	1.5	2.6	1.4	39.3
*27½	12½	Neil & Spencer 10p	28½	+2½	—	—	—	—
39½	28	Newman Ind. 10p	39½	+½	†0.8	1.5	2.9	(30.3)
134	65	Noble & Lund 10p	86	–2	0.7	4.3	1.1	28.3
158	152	Nobo Group 10p	154	.....	R4.75	2.8	4.3	11.7
65	39	Nolton	50	.....	1.2	2.9	3.4	14.3
152	96	♯Norank Systems 5p	145	+1	m1.5	—	1.5	18.6
266	187	Norcros	275	+7	†9.3	2.3	4.8	12.5
262	49	Nu-Swift 5p	259	.....	†3.5	2.1	1.9	34.9
£256½	£228	OCE 9pc Cnv 1987-92	£282½	.....	Q9%	—	†3.2	—
125	85	Oakwood Grp	121	+5	4.0	♦	4.7	♦
250	173	Office & Elect	190	+2	8.5	2.9	6.3	7.7
34	26	♯Omnitech 1p	32	–1	—	—	—	—
36	16	♯Optometrics $0.01	18	.....	—	—	—	—
890	560	Ordinance £1	803	+3	†28.5	2.1	5.0	15.6
10	5	Ovensone 12½c	9	+½	†Q3.2%	1.9	11.1	4.7
142	85	♯PCT Grp 10p	135	.....	4.32	—	4.9	—
£20½	£13¾	PLM 'S' Sk 25	£18	–½	Q23.2%	0.3	3.4	—
255	160	♯Pacer Systems $0.01	165	+1	†Q1.84c	4.3	1.6	14.5
198	97	Pacific Dunlop $0.5	198	+3	†Q11.3c	2.1	2.4	19.9
78	44	♯Pacific Sales 10p	52	.....	3.0	1.4	8.1	12.4
528	246	Parker Knoll 'A'	472	–1	12.0	3.2	3.6	12.4
226	83	♯Parkfield Group 2p	223	.....	†3.6	4.2	2.3	14.2
53	17	♯Pawson Ind	32	.....	—	—	—	8.5
£130	£64½	Do 11pc Cnv La '94-02	£100	.....	Q11%	—	†11.5	—
617	393	Pearson	565	–3	†10.0	2.8	2.5	18.4

[illegible]

LEISURE—Continued

[illegible]

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 26	Feb 5	Feb 6	Feb 16
Feb 9	Feb 19	Feb 20	Mar 2
Feb 23	Mar 5	Mar 6	Mar 16

* New time dealings may take place from 9.00 am two business days earlier.

Early surge in equities, clipped later as Government securities hit trader selling

The UK stock market remained very buoyant yesterday, and successfully consolidated a further advance after brushing off a bout of nervousness which greeted a sluggish start on Wall Street. UK investors continued to show confidence in the prospects of cuts in UK taxation on Budget Day, but overseas buyers were less aggressive than last week.

The session started very optimistically, as strong gains in the financial issues reflected widespread predictions in the weekend press that the UK Chancellor will trim personal taxation rates in next month's Budget.

But there was a sharp reaction when Wall Street came in lower. Early gains were halved as foreign buyers backed off—only to be partially restored as domestic buyers returned.

The FT-SE 100 index closed 12.3 up at 1910.7 another all-time high, establishing bridgehead beyond the 1900 mark seen as a significant milepost. At best, the index was 26.8 up. The FT ordinary index climbed 7.7 to 1516.6.

International stocks were restrained by an easier dollar and by dullness in oil shares. **Glaxo**, **Imperial Chemical Industries**, and **Jaguar** ran into profit-taking.

But across the broad range of the market, investors remained optimistic. There were strong gains in shares in the major banks, which are on the eve of their dividend season, and among insurance stocks, featured by **Royal**, **Sun Alliance** and **Prudential**.

Elsewhere, share prices held on to their recent gains but buyers showed caution when prices tride to move higher. Consumer issues consolidated last week's gains. Engineering and electrical issues lacked excitement.

The Government bond market started firmly but took a turn for the worse in late dealings when the pound was losing ground. Net losses of ¼ or so took the yield on long-dated bonds close to the 10 per cent level breached only on Thursday.

In early trade, Gilts added ¼ or so to match the best levels seen on Friday. But the dip in the sterling rate index, mirrored by falls in Gilt futures contracts, brought trader selling of Government issues. While the pound is still comfortably above danger levels, any weakness in sterling could unsettle Gilts.

Clearers good again

Clearing banks began the new Account in the same buoyant manner as they finished the old. A Greenwell Montagu circular induced renewed support ahead of the forthcoming dividend season. **NatWest**, scheduled to kick the season off on February 24, advanced 15 further to 630p, after 638p, while **Barclays** gained 11 at 570p; the latter's results are due on February 26. **Midland** jumped 15 at 632p, after 635p, while **Lloyds** edged forward a penny at 493p. **TSB** revived with a gain of 3 at 80½p. Elsewhere, **Standard Chartered** remained a nervous market at 754p, down 3. **Hill Samuel**, which plummeted 78 last week in reaction to the proposed changes in the banking bill which will give the Bank of England greater powers to control acquisitions of large stakes in UK banks, rallied a few pence to 440p, but **Kleinwort Benson** dropped a further 16 at 584p. Cheaper money hopes helped Hire Purchases. **Provident Financial** added 12 at 328p and **Cattles Holdings** firmed 5½ at 59p, while **First National Finance Corporation** gained 4 at 233p.

Royals continued to highlight a strong Composite Insurance sector, rising 21 more to 958p on further buying ahead of the preliminary results scheduled for February 26. **GRE** put on 22 to 880p and **Commercial Union** gained 5 at 330p. Elsewhere, **Legal and General**, which rose sharply last week in response to the acquisition of Fairmount Trust, advanced 20 more to 308p following a Greenwell Montagu recommendation. **Prudential** put on 37 to 922p, after 928p, following news of the group's further expansion in the estate agency business. **Equity and Law** improved a couple of pence to 321p; Mr Ron Brierley's IEP Securities holds a 26 per cent stake in the company.

The Brewers' Society call to the Chancellor not to raise beer taxes this year lent support to the sector. **Allied-Lyons** put on 6 to 359p, **Whitbread "A"** rose 12 more to 312p and **Young & Co** non-voting were 10 higher at 277p.

Construction issues made further strong headway during the morning, but the pace eventually proved a little too hot and prices settled below the best. **Redland**, which announced a £59m Euro-bond issue, touched 500p prior to closing a net 16 up at 498p. **George Wimpey** firmed 7 to 238p despite a broker's cautious circular, while **John Mowlem** gained 12 to 404p following details of the company's second major deal at its site in Welham Green, Herts, for a new UK headquarters for Mitsubishi. **Ward Group** attracted buyers at 123p, up 13, and **Randsworth Trust**, which recently received planning permission for its City office development, rose a like amount to 181p. Among brick concerns, **Nottingham Brick** advanced afresh to 392p before closing 12 higher at 385p on speculation that another company could top Marley's agreed offer for the company. Among Timbers, **Meyer International** attracted good support on takeover speculation and gained 15 to 339p, while **Magnet and Southerns** firmed 9 to 284p.

Consolidating on last week's useful rise which followed a broker's profits upgrading, **ICI** traded within narrow limits and closed ⅛ easier on balance at £13⅝.

FINANCIAL TIMES STOCK INDICES	Feb. 9	Feb. 6	Feb. 5	Feb. 4	Feb. 3	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	86.12	86.24	85.80	85.61	85.31	82.24	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.80	92.81	92.51	92.34	91.29	87.41	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,516.6	1,508.9	1,486.2	1,472.8	1,458.5	1,195.3	1,516.6 (9/2/87)	1,094.3 (14/1/86)	1,516.6 (9/2/87)	49.4 (26/6/40)
Gold Mines	319.2	319.3	311.9	311.5	309.7	328.3	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.74	3.76	3.79	3.83	3.88	4.34				
Earnings Yld.%(full)	8.80	8.81	8.90	8.98	9.10	10.58				
P/E Ratio (net) (*)	13.92	13.90	13.76	13.64	13.47	11.77				
SEAQ Bargains (5 pm)	53,746	55,063	38,400	37,696	38,730	—				
Equity Turnover (£m)	—	1,830.82	1,390.66	1,368.19	1,270.31	685.68				
Equity Bargains	—	61,549	48,518	46,024	48,837	30,687				
Shares Traded (ml)	—	694.1	586.5	512.2	497.6	296.4				

S.E. ACTIVITY Indices	Feb. 6	Feb. 5
Gilt Edged Bargains	142.3	145.2
Equity Bargains	398.8	314.4
Equity Value	3700.6	2809.7
5-Day Average		
Gilt Edged Bargains	133.8	129.9
Equity Bargains	331.3	308.1
Equity Value	2986.8	2772.1

♥ Opening 1517.4 | 10 a.m. 1518.1 | 11 a.m. 1526.0 | Noon 1528.3 | 1 p.m. 1528.7 | 2 p.m. 1529.3 | 3 p.m. 1517.8 | 4 p.m. 1517.2

Day's High 1530.1. Day's Low 1513.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.41.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Stores popular

The prospect of tax cuts in next month's Budget and an acceleration in consumer spending continued to underpin leading Stores. **Gussies "A"** added $\frac{3}{16}$ at £12$\frac{3}{16}$ and **Woolworth**, additionally helped by Press comment on the group's property assets, rose 8 at 758p. **Dixons**, rumoured to be on the verge of placing its 8.5m shares in Woolworth in order to raised cash for a major US expansion, improved a penny more at 349p. Elsewhere, **W. H. Smith** jumped 13 to 319p in response to Press comment. **Coats Viyella** derived strength from a circular from Kitkat and Aitken and closed 27 higher at 583p. **Laura Ashley** appreciated 9 at 191p and **Austin Reed "A"** moved up 13 at 193p.

Amstrad succumbed to nervous offerings ahead of the forthcoming interim results—brokers estimates range between £65m and £70m—and following a turnover of around 8m shares the close was 6 lower at 152p. **Manvier Swain**, on the other hand, advanced 7 to 188p in response to the impressive first-half figure. **United Leasing** reflected revived takeover speculation with a rise of 17 at 215p, while **Polytechnic Electronics** gained 20 to 160p in anticipation of today's results. Bid hopes lifted **Holmes Protection** 4 to 142p and **Stone International** revived with a rise of 8 at 126p. Among the narrowly mixed Electrical leaders, **GEC**, at 217p, held on to last Friday's rise of 13 which accompanied talk that the group was about to merge its System X operations with **Plessey**, 4 up at 213p.

Week-end newspaper comment prompted several outstanding movements in the Engineering sector. **Braithwaite** were prominent at 295p, up 30, while **McKechnie** gained 8 to 284p and **Rotork** put on 6 to 191p. Awaiting further developments in the bid situation, **APV** rose 20 to 640p and **Baker Perkins** hardened 4 to 335p. **Hallite**, a depressed market last week on the profits warning, rallied 18 to 230p. Acquisition news left **Hobson** a couple of pence firmer at 62p, while **Richardson Westgart**, helped by news of approval for the return of a £1.95m pension fund surplus, improved 2½ to 54p.

Avana, the Food sector's outstanding feature on Friday following Rank Hovis McDougall's unwelcome bid for the company, slipped back 11½ to 670pxd pending further developments. **RHM** picked up a penny at 309p. Retailers continued to push forward, but generally settled below the best. **Dee Corporation** were favoured at 242p, up 61, but **Tesco**, after early progress to 454p, eased back to close a shade cheaper on balance at 450p. **ASDA-MFI** softened a couple of pence to 150p following the launch of a £100m convertible Euro-bond issue, but **Hillards** hardened a penny to 181p on hearing details of a proposed £14.7m rights issue. Demand ahead of the interim results due on February 23 lifted **FII** 20 to 430p.

The Hotel majors gave another good performance with **Ladbroke** again outstanding at 433p, up 7, reflecting Press comment and further buying ahead of the annual results due on March 12. **Grand Metropolitan** firmed 6 to 503p and **Trusthouse Forte** 1½ to 211p xd. **Friendly Hotels** were firm again, at 196p, up 8.

BOC below best

Awaiting today's announcement of the first-quarter figures, **BOC** moved ahead strongly before falling back to close well below the best at 439p for a rise on the day of 11p. Elsewhere among the miscellaneous industrial leaders, **BTR** were actively traded (some 7.7m shares changed hands) and closed 14 to the good at 310p, but profit-taking again left its mark on **Glaxo** which gave up ⅜ to £13$\frac{3}{16}$. Demand persisted for **Trafalgar House**, up 11 more at 330p, and **Reed International**, 9 to the good at 400p. Renewed investment support left **Pilkington** 12 dearer at 713p. **Reuters**, scheduled to reveal preliminary figures on Wednesday, continued strongly and put on 13 further to 634p. **British Aerospace**, suggested in the weekend Press as a forerunner to buy the Royal Ordnance munitions group, gained 23 to 616p. Newsletter comment left **Burns Anderson** 7 to the good at 134p, while **Jacksons Bourne End**, still reflecting the approach to major shareholders, advanced 15 further to 428p. **Pentland Industries** responded to the bullish statement on the Reebok order book with a rise of 16 to 568p and weekend Press comment enlivened fresh interest in **Beatson Clark**, 18 higher at 288p. **Lilleshall**, reflecting a revival of demand on property development potential, gained 50 to 310p in a limited market. Buyers were again showing interest in **London International**, up 15 further at 334p, and **Wellcome**, 5 dearer at 299p. **LHD** firmed a penny to 57p in response to the half-yearly results.

Among Leisure issues, **Brent Walker** rose 31 to 312p following a newsletter recommendation.

Press reports of a financial support deal via fresh Government aid helped **Rover** gain 4 further to 48p. Distributors were the only other Motor stocks to record appreciable headway. Newspaper mention drew attention to **Jessups**, 7 up at 148p, and **BSG** improved to 66½p. Demand in a thin market took **Western Motor** 12 higher to 200p, while **Lookers** advanced to 233p. Charterhall has sold its 14.9 per cent shareholding in the latter for £2.9m.

Acquisition news lifted **WPP** 45 to 890p and **Wace** 6 to 90p, after 97p. Other stocks worthy of note included **Fitch & Co**, 30 better at 335p, and **Blenheim Exhibits**, which jumped 15 to 163p. **Bemrose** spurted 10 to 218p, while **Associated Book Publishers** put on 8 to 266p.

Properties made useful progress on interest rate hopes, institutional buying boosting **Land Securities** 6 to 354p and **MEPC** 7 to 352p. **Hammerson "A"** revived strongly with a rise of 15 at 455p, while **British Land** firmed 3 to 191p. Elsewhere, **Warnford Investments** rose 25 to 775p in reply to press comment highlighting takeover possibilities, while **Derwent Valley**, reflecting recent option business, advanced 18 to 310p. A newsletter recommendation sparked off good support for estate agents **Hanover Druce** which rose 22 to 253p.

Ocean Transport progressed to 282p before ending 10 up on balance at 279p; IEP (UK) bid unsuccessfully for the group last year and retains a shareholding of nearly 30 per cent. **British and Commonwealth**, still on the recent BZW circular, gained 5 further to 369p.

A couple of major studies on the Textile industry encouraged fresh investment interest. Institutional operators focused on **Courtaulds'** which burst above 400p for the first time to touch 403p before closing a net 8 higher at 398p. **Sirdar**, 138p, and **Dawson International**, 270p, also moved up smartly, scoring respective gains of 9 and 10. Renewed demand in a restricted market lifted **Tomkinsons** 50 to 404p, while **Tootal** were a lively counter and rose 7 more to 135½p. **Illingworth Morris** revived 6 to 121p.

Rothmans International were boosted by the Australian subsidiary's good interim results and scrip issue, and closed 6½ up at 211½p.

Useful rises were registered throughout Investment Trusts. Several Capital shares showed double-figure improvements, while **Second Market Investments** jumped 19 to 222p and **Kleinwort Smaller Cos.** added 10 at 380p. Financial issues joined in the upturn, **Hunting** advanced 5 to 126p and **Abaco** 7 to 66½p. Newspaper mention took **Parambe** 4 higher to 75p. Elsewhere, **Cambium Venture Capital** spurted 5½ to 19p, while **International City** firmed to 212½p on a report that it was to sell the loss-making moneybrokers MKI.

BP firm

The oil sector was mixed, with optimism over the recent deal between Aramco and Saudi Arabia offset by slightly easier spot market oil prices and market rumours of an imminent sell circular from a US investment house. **BP** remained a firm market, however, on buying ahead of fourth quarter results scheduled for Thursday week and rose 6 to 821p, while **IC Gas** moved up 15 to 608p reflecting the possible benefits of the proposed restructuring of the company. **Shell**, due to announce quarterly figures on March 5, diped 9½ to 1134p.

Lonrho made an overdue rally, gaining 7 to 256p on speculation that the group was about to increase its stake in Western Platinum. **Inchcape** revived with a gain of 7 to 578p but the most spectacular movement Overseas Traders was recorded by **Nesco Investments**. Following weekend comment, Nesco moved up 11 to 105p.

Gold sectors of mining markets gave ground at the outset, reflecting an initial decline in the bullion price to $409.95 around the

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (262)

BRITISH FUNDS (1), AMERICANS (8), CANADIANS (6), BANKS (3), BREWERS (1), BUILDINGS (23), CHEMICALS (7), STORES (13), ELECTRICALS (9), ENGINEERING (6), FOODS (1), HOTELS (3), INDUSTRIALS (42), INSURANCE (7), LEISURE (5), MOTORS (3), NEWSPAPERS (4), PAPER (12), PROPERTY (10), SHIPPING (2), TEXTILES (5), TRUSTS (76), OILS (4), OVERSEAS TRADERS (1), MINES (9), THIRD MARKET (1).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities ... yesterday until 6 pm

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	12,000	150	−2
Allied Lyons	5,100	359	+6
Amstrad	8,170	152	−6
Assoc. Brit. Foods	709	334	—
BAT	2,900	510	−1
BET	1,800	503	+1
BOC	2,300	459	+11
BPB Inds	851	638	+25
BTR	7,700	310	+14
Barclays	2,000	570	+11
Bass	529	844	+6
Beecham	3,000	506	+3
Blue Circle	202	690	−3
Boots	5,200	284	−2
Brit. Aero	3,000	616	+23
Brit. Gas	63,000	71½	−½
Britoil	6,800	201	−3
BP	5,300	821	+6
Brit. Telecom	13,000	239	−1½
Burton	7,700	266	+3
Cable & Wire	17,000	381xd	−1½
Cadbury Schwps	2,500	227	+2
Coats Viyella	2,300	583	+27
Comm. Union	4,475	330	+5
Cons. Gold	1,100	761	−6
Cookson	1,300	543	+15
Courtaulds	3,700	398	+8
Dee Corp	4,600	242	+6

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Feb 9 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri Feb 6 Index No.	Thur Feb 5 Index No.	Wed Feb 4 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	807.75	+1.2	7.82	3.26	16.21	0.98	798.14	785.72	781.51	616.00
2	Building Materials (27)	993.87	+2.0	7.87	3.28	15.95	0.56	974.37	968.25	959.74	665.13
3	Contracting, Construction (28)	1377.37	+1.0	6.99	3.40	19.69	0.90	1364.23	1355.97	1343.89	978.57
4	Electricals (12)	1962.31	−0.2	7.68	4.00	16.72	0.44	1966.53	1950.59	1953.72	1737.80
5	Electronics (38)	1812.14	+0.1	7.93	2.28	16.72	5.85	1810.92	1745.83	1741.08	1485.15
6	Mechanical Engineering (61)	453.00	+1.3	8.88	3.67	14.39	0.58	447.34	444.76	443.04	340.68
8	Metals and Metal Forming (7)	423.80	+1.1	8.63	3.51	14.08	0.00	419.21	409.70	407.18	271.67
9	Motors (15)	317.21	—	8.67	3.31	13.31	0.00	317.25	313.94	313.48	248.33
10	Other Industrial Materials (21)	1367.47	+2.8	6.53	4.00	18.30	0.17	1330.00	1313.15	1303.24	1119.30
21	CONSUMER GROUP (186)	1092.15	+0.3	6.73	2.90	19.10	1.69	1088.88	1070.49	1060.61	801.29
22	Brewers and Distillers (22)	1030.57	+1.1	8.26	3.36	15.21	0.00	1019.64	1005.75	998.28	817.21
25	Food Manufacturing (25)	832.68	−0.2	8.02	3.38	16.40	1.30	834.10	817.20	812.68	578.91
26	Food Retailing (16)	2044.29	+0.2	6.58	2.66	21.12	9.56	2039.79	1981.11	1967.62	1724.55
27	Health and Household Products (10)	1998.33	−0.7	4.76	1.90	24.38	0.02	2012.16	2009.31	1991.01	1317.39
29	Leisure (31)	1121.90	−0.2	6.70	3.70	19.60	7.39	1123.66	1108.62	1102.84	803.40
31	Packaging & Paper (14)	581.07	+0.5	6.11	2.88	21.26	0.38	578.05	572.15	571.87	407.23
32	Publishing & Printing (14)	3418.63	+1.0	5.94	3.34	21.64	3.41	3383.62	3333.05	3334.06	2855.04
34	Stores (37)	946.17	+0.4	6.78	2.86	20.05	1.24	942.26	914.90	897.02	772.45
35	Textiles (17)	668.40	+3.3	7.88	3.03	14.60	0.00	647.00	640.75	635.33	447.60
40	OTHER GROUPS (87)	937.16	+0.4	8.14	3.52	15.28	0.89	933.47	921.13	915.96	732.29
41	Agencies (17)	1285.90	+1.2	4.40	1.69	30.95	0.45	1270.03	1244.23	1239.76	0.00
42	Chemicals (21)	1242.90	+0.1	7.15	3.39	17.05	2.85	1241.43	1249.51	1247.13	806.79
43	Conglomerates (13)	1215.58	+2.1	7.10	3.59	16.72	0.15	1190.35	1166.98	1156.13	0.00
45	Shipping and Transport (10)	1799.62	+1.1	5.86	4.15	21.55	0.00	1779.38	1764.72	1745.56	1442.68
47	Telephone Networks (2)	953.85	−0.7	9.80	4.04	13.91	1.09	960.70	941.66	935.91	868.89
48	Miscellaneous (24)	1243.55	+0.4	9.79	3.37	11.50	0.40	1243.29	1219.15	1212.52	903.80
49	INDUSTRIAL GROUP (482)	988.93	+0.6	7.39	3.16	17.16	1.29	983.50	968.20	961.16	743.77
51	Oil & Gas (18)	1686.91	−0.2	10.06	5.37	12.57	0.00	1690.11	1661.40	1632.91	1112.51
59	500 SHARE INDEX (500)	1047.88	+0.4	7.77	3.48	16.31	1.17	1043.23	1026.78	1017.86	776.03
61	FINANCIAL GROUP (117)	677.21	+1.6	—	4.15	—	0.52	666.52	654.80	648.94	539.41
62	Banks (8)	752.55	+1.5	16.89	4.88	8.12	0.69	741.59	719.94	714.62	533.92
65	Insurance (Life) (9)	987.24	+3.3	—	3.93	—	0.00	955.75	930.08	919.07	816.32
66	Insurance (Composite) (7)	526.48	+2.1	—	4.12	—	0.00	515.59	509.09	493.71	440.79
67	Insurance (Brokers) (9)	1280.90	+0.7	8.02	4.41	16.21	1.31	1192.87	1186.91	1183.56	1312.27
68	Merchant Banks (11)	365.96	−0.2	—	3.14	—	0.02	366.74	369.41	370.99	308.72
69	Property (47)	849.81	+1.3	5.62	3.46	23.17	0.42	839.09	832.37	830.16	688.44
70	Other Financial (25)	414.11	+0.9	7.71	3.69	16.57	1.46	410.48	405.92	407.11	300.07
71	Investment Trusts (96)	939.71	+0.7	—	2.45	—	0.99	933.29	926.54	923.37	665.56
81	Mining Finance (2)	384.40	+0.9	8.13	4.17	14.47	0.00	381.01	375.70	373.13	266.12
91	Overseas Traders (12)	844.00	+0.8	9.56	5.30	12.71	0.00	837.34	832.22	824.14	625.57
99	ALL-SHARE INDEX (727)	947.20	+0.6	—	3.56	—	0.98	941.18	926.51	918.64	707.48

	Index No.	Day's Change	Day's High	Day's Low	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Year ago
FT-SE 100 SHARE INDEX ♦	1910.7	+12.3	1925.2	1903.9	1898.4	1866.1	1846.7	1828.6	1832.8	1453.9

FIXED INTEREST

	PRICE INDICES	Mon Feb 9	Day's change %	Fri Feb 6	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	121.71	+0.09	121.60	—	0.85
2	5-15 years	136.43	+0.02	136.40	—	1.48
3	Over 15 years	143.70	−0.21	144.01	—	0.94
4	Irredeemables	156.62	−0.15	156.85	—	0.00
5	All stocks	133.84	—	133.84	—	1.18
	Index-Linked					
6	5 years	118.31	+0.23	118.04	—	0.00
7	Over 5 years	115.81	+0.52	115.39	0.18	0.54
8	All stocks	116.18	+0.47	115.79	0.15	0.45
9	Debentures & Loans	119.08	+0.40	118.68	0.07	0.32
10	Preference	83.67	+0.43	83.40	0.09	0.31

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 9	Fri Feb 6	Year ago (approx.)
	British Government				
1	Low	5 years	9.07	9.15	9.82
2	Coupons	15 years	9.71	9.70	10.27
3		25 years	9.72	9.71	10.28
4	Medium	5 years	10.13	10.13	11.38
5	Coupons	15 years	9.97	9.95	10.72
6		25 years	9.85	9.82	10.39
7	High	5 years	10.16	10.18	11.53
8	Coupons	15 years	10.13	10.10	10.93
9		25 years	9.87	9.83	10.53
10	Irredeemables †		9.67	9.65	10.15
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.05	3.18	4.76
12	Inflat'n rate 5%	Over 5 yrs	3.65	3.68	3.86
13	Inflat'n rate 10%	5 yrs	1.52	1.63	3.77
14	Inflat'n rate 10%	Over 5 yrs	3.50	3.53	3.71
15	Debs &	5 years	10.67	10.67	12.07
16	Loans	15 years	10.80	10.79	11.72
17		25 years	10.80	10.80	11.47
18	Preference †		11.23	11.24	12.12

Opening index 1909.1; 10 am 1911.8; 11 am 1920.9; Noon 1922.8; 1 pm 1924.3; 2 pm 1925.0; 3 pm 1908.4; 3.30 pm 1906.7; 4 pm 1909.7.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*359)	280	87	92	—	1	1	—
	300	67	72	82	2	2	6
	330	40	50	62	4	12	15
	360	18	32	43	16	23	30

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Ladbroke (*433)	330	105	112	122	0½	1	1
	360	75	82	92	1	1½	3
	390	45	55	63	1	6	12
	420	20	33	43	7	15	20

February 9. Total Contracts 44,350. Calls 34,042. Puts 10,308

*Underlying security price.

RISES AND FALLS YESTERDAY

British Funds

Corporations, Dominion and Foreign Bonds

Industrials

Financial and Properties

Oils

Plantations

Mines

Others

Totals

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e ratio based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. ‡ Issued by tender. ¶ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. ¶ Reintroduced. †† Issued in connection with reorganisation, merger or takeover. ‖ Allotment letters. ♦ Unlisted securities market. † Warrants entitlement.

WORLD STOCK MARKETS

AUSTRIA

Feb. 9	Price Sch.	+ or −
Credi'nst'it pp	3,050	....
Goesser	3,025	....
Interunfall	13,025	+25
Jungbunzlauer	9,180	+50
Laenderbank	2,050	....
Perlmooser	656	+1
Steyr Daimler	146	....
Veitscher Mag	899	−1

BELGIUM/LUXEMBOURG

Feb. 9	Price Frs.	+ or −
B.B.L.	3,000	....
Banq.Gen. Lux	15,580	....
Banq.Int.A.Lux	15,150	....
Bekaert	9,550	+100
Ciment CBR	4,380	+60
Cockerill	140	+1
Delhaize	2,650	−50
EBES	4,990	−50
Fabrique Nat	1,890	+90
GB Inno BM	926	+26
GBL (Brux)	3,545	−5
Generale Bank	6,190	....
Gevaert	6,030	+30
Hoboken	7,930	+80
Intercom	3,970	−25
Kredietbank	4,100	....
Pan Holding	10,825	−25
Petrofina	9,350	+60
Royale Belge	23,420	+10
Soc.Gen. Belge	3,155	+40
Sofina	12,000	+100
Solvay	8,870	+30
Stanwick Int	280	+10
Tractebel	6,330	−40
UCB	9,840	+10
Wagons Lits	5,580	....

DENMARK

Feb. 9	Price Knr %	+ or −
Baltica Skand	885	−50

GERMANY

Feb. 9	Price Dm.	+ or −
AEG	399	+9.5
Allianz Vers	1,745	+70
BASF	251.3	+2.0
Bayer	287.4	+7.4
Bayer-Hypo	465	+7
Bayer-Verein	442	+3
BHF Bank	457	+7
BMW	508	+9
Brown Boveri	282	....
Commerzbank	279	+3.5
Cont'l Gummi	289	+8.5
Daimler-Benz	984	+10
Degussa	430	+4
D'sche Babcock	230.5	+0.5
Deutsche Bank	704	+5
Dresdner Bank	349.5	+5.5
Feld-Muehle Nbl	279	+4.5
Henkel	474.9	+2.9
Hochtief	940	....
Hoechst	251.3	+4.8
Hoesch Werke	103.5	+4.1
Holzmann (P.)	515	+5
Horten	226	+6
Hussel	583	+8
Karstadt	439.5	+9.5
Kaufhof	479	+23
KHD	164.5	+1.8
Kloeckner	67.1	+2.1
Linde	615	+5
Lufthansa	160.5	−2.5
MAN	156	+1
Mannesmann	154	+2.2
Mercedes Hld	813	+9
Metallgesell	263	+6
Muench Rueck	1,960	+65
Nixdorf	706	+5.5
Porsche	867	−33
Preussag	185	+4.5
Rhein West Elect	225	+8
Rosenthal	285	−2
Schering	649	....
Siemens	663.6	+8.5
Thyssen	116.8	−0.1
Varta	385	+5
Veba	261.5	+0.5
V.E.W.	155.2	+0.2
Verein-West	427	+3
Volkswagen	346.3	+5.3

NORWAY

Feb. 6	Price Kroner	+ or −
Bergens Bank	188.5	....
Bergesen B.	265	....
Christiana Bank	205	+1
DenNorske Cred.	177.5	−1.5
Elkem	90	−3
Kosmos	135	+0.5
Kvaerner	176.5	−1
Norcem	125	....
Norsk Data	217	....
Norsk Hydro	161.5	+6.5
Orkla-Borregaad	379	+5
Storebrand	306.5	+1

SPAIN

Feb. 9	Price Pts %	+ or −
Bco Bilbao	1,480	....
Bco Central	1,100	−5
Bco Exterior	620	....
Bco Hispano	695	....
Bco Popular	1,630	....
Bco Santander	1,129	−9
Bco Vizcaya	1,790	−50
Banesto	850	−19
Dragados	590	+30
Hidrola	95	−1.7
Iberduero	147	+2
Petroleos	521.5	....
Telefonica	176	+2

SWEDEN

Feb. 9	Price Kroner	+ or −
AGA	160	−3
Alfa-Laval B	280	−1
ASEA (Free)	333	+1
Astra (Free)	640	+10
Atlas Copco	148	−3
Seller A B	149	....
Cardo (Free)	160	....
Cellulosa	256	−2
Electrolux B	269	....
Ericsson B	218	−2
Esselte	134	....
Mo och Domsjo	238	−2

AUSTRALIA (continued)

Feb. 9	Price Aust. $	+ or −
Gen. Prop. Trust	2.72	....
Hardie (James)	4.38	....
Hartogen Energy	3.35	+0.05
Herald W'y Times	15.3	+0.1
ICI Aust	3.4	....
Industrial Equity	5.4	....
Jimberlana F.P.	0.42	+0.01
Kia Ora Gold	1.10	+0.05
Kidston Gold	7.8	+0.1
Lend Lease	10.6	+0.2
MIM	2.42	+0.08
Mayne Nickless	4.26	....
Nat. Aust. Bank	5.6	+0.1
News	18.9	+0.10
Nicholas Kiwi	3.80	....
Noranda Pacific	3.10	+0.16
North Bkn Hill	2.45	−0.02
Oakbridge	0.6	....
Pacific Dunlop	4.45	+0.07
Pancontinental	3.4	....
Pioneer Conc	3.15	....
Placer Pacific	2.4	....
Poseidon	6.8	+0.2
Queensland Coal	1.48	−0.12
Reckitt & Colman	6.25	....
Santos	4.45	+0.05
Smith Howard	4.9	−0.2
Thos. Natwide	3.97	+0.07
Tooth	5.82	−0.08
Vamgas	2.85	....
Western Mining	6.16	+0.04
Westpac Bank	4.87	+0.11
Woodside Petrol	1.69	+0.02
Woolworths	3.67	+0.02
Wormald Intl	4.2	....

HONG KONG

Feb. 9	Price H.K.$	+ or −
Bank East Asia	23.8	+0.1
Cathay Pacific	6.4	+0.2
Cheung Kong	42.0	+0.75
China Light	20.6	+0.1
Evergo	0.95	+0.01
Hang Seng Bank	45.0	+0.25

FINLAND

NETHERLANDS

FRANCE

ITALY

SWITZERLAND

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices February 9

MONTREAL

Closing prices February 9

NEW YORK

Indices

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

APV	340	+20
BTR	310	+14
Beatson Clark	266	+18
Blnhm Exbtns	163	+15
Braithwaite	295	+30
Brent Walker	312	+31
Cmbm Vntre Cap	19	+ 5½
Coats Viyella	583	+27
Conroy Pet	118	+13
Fitch	335	+30
Hallite	230	+18
Lnd Scrts	253	+22
Lilleshall	310	+50
Meyer Intl.	339	+15
Midland Bank	632	+15
Nesco	105	+11
Nttnghm Brck	385	+12
Ocean Transport	279	+10
Pentland Indsa	568	+16
Prudential	922	+37
Redland	499	+17
RTZ	784	+15
Royal Ins.	958	+21
Second Mrkt Inv	222	+19
Tomkinsons	405	+50
Traf House	331	+12
United Leasing	213	+15
WPF	890	+45
Wace	90	+ 6
Western Motor	200	+12

N. AMERICAN QUARTERLY RESULTS

NYSE COMPOSITE CLOSING PRICES

Continued from Page 43

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29⅞	18	AAR s	.50	1.8	20	237	29⅛	27½	28¼	−⅞
32¾	21⅞	ADT	.92	3.0		1187	31⅛	30¾	30¾	−⅝
38½	19	AFG s	.12i	.3	11	267	37½	37	37	−⅜
37	16¾	AGS			20	241	35	33¾	34½	−⅝
15	6¾	AMCA				45	8½	8⅛	8½	+½
62⅛	47¼	AMR			13	1915	58⅝	57¼	57⅞	−¾
27½	24	ANR pf	2.67	10.		x5	25¾	25⅝	25¾	
24¾	20¼	ANR pf	2.12	9.0		x5	23½	23½	23½	−⅛
16½	10	ARX	.71t	5.8	12	97	12⅞	12½	12¾	+½
42⅛	28¾	ASA	2a	4.8		1076	41⅞	41⅜	41⅞	+¾
18⅝	9¾	AVX		2.1		156	16	15⅛	15¼	−½
32	26¼	AZP	2.72	8.9	10	2440	30¾	30½	30⅝	−⅛
59¾	33	AbtLb s	.84	1.4	25	2562	58¾	57¾	58⅜	−⅜
32	25	AccoWd	.62	2.0	20	398	30¾	30⅜	30½	+¼
14⅛	9	AcmeC	.40	3.0	25	130	13½	13¼	13⅜	−⅛
9¼	6⅛	AcmeE	.32b	4.1	27	26	7⅞	7⅞	7⅞	−⅛
23⅞	17¾	AdaEx	3.42e	16.		92	22½	22	22	−½
16¾	9¾	AdmMs	.24	1.5	13	97	16⅜	16	16⅛	
20⅝	12⅛	AdvSys	.62t	3.2	16	136	19⅞	19½	19⅝	+¼
32⅞	12⅞	AMD				5321	22½	21¼	21¾	−⅝
10¾	5¼	Adobe				2542	8⅜	8⅛	8¼	−⅛
19	13¾	Adob pf	1.84	9.7		182	u19¼	18⅞	19	
21½	16⅝	Adob pf	2.40	11.		42	u21⅞	21⅜	21¾	+⅛
18⅝	11½	Advest	.12a	.9	11	337	13¾	13⅜	13⅜	−⅛
66¼	53	AetnLf	2.64	4.2	9	2436	62½	61⅞	62⅛	−½
54⅜	51⅛	AetL pf	3.94e	7.5		8	52⅜	52⅜	52⅜	−⅜
45¾	18⅞	AhlPb s	.32	.7	43	x451	45	44⅛	44¾	+⅝
28¾	18⅞	Ahmns	.88	3.6	6	5909	24⅞	24	24¼	
5¾	2⅞	Aileen				159	4¼	4	4¼	+¼
48¾	29⅛	AirPrd s	.80	1.8	373	2902	45	43¾	44¾	+¼
35¼	16	AirbFrt	.60	1.7	16	x374	35	34½	34¾	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36 3/4	15	Nav pfD				160	20 3/4	20 1/2	20 3/4	−1/2
52 1/2	49 7/8	Nav pfG	6	11.		171	u52 5/8	52 1/4	52 5/8	+1/8
13 3/8	9 1/8	Nerco	.64	4.6	13	138	u14	13 1/4	13 7/8	+5/8
25 3/8	16 5/8	NevPws	1.44	6.9	13	237	21 1/8	20 3/4	21	−1/8
21 3/4	16	NevP pf	1.60	7.9		z1800	20 3/8	20 1/4	20 1/4	
23	17 3/4	NevP pf	1.74	8.5		z500	21 1/2	20 1/2	20 1/2	−1
22 7/8	19 5/8	NevP pf	1.95	8.8		8	22 1/8	21 3/4	22 1/8	
35 1/4	24 3/8	NEngEl	2	6.2	10	817	32 1/2	32	32 1/4	−3/8
37 1/2	26 1/2	NJRsc	2.32	6.2	21	21	u37 5/8	37	37 1/4	+1/8
15 1/4	11 3/8	NPlnR s	.80	5.2	20	225	15 1/4	15 1/8	15 1/4	
38 1/2	28 1/4	NYSEG	2.64	8.7	8	2069	31 1/4	30 1/2	30 1/2	−1/2
97 1/2	80	NYS pf	8.80	9.2		z100	96	96	96	+1
26	21 1/4	NYS pf	2.12	8.7		8	25	24 1/2	24 1/2	−1/2
36 1/4	24	Newell	.84	2.6	15	303	33 1/8	31 1/2	32 3/8	+1 1/2
43 3/4	30 7/8	Nwhall s	.80	2.2	18	105	37	35 5/8	36 3/8	−3/8
20 1/4	8 3/4	Nwhll	6.50e	56.	2	28	11 5/8	11 1/2	11 5/8	
8 7/8	5 7/8	NwhlRs	.70e	8.8	12	4	8 1/4	8	8	
18 7/8	8 5/8	NwmtGn	.05e	.3	43	821	17 3/4	17 3/8	17 1/2	
73 3/8	41	NwmtM	1	1.4	40	2303	73	72 1/8	72 3/4	−1/4
25 1/2	11 3/8	NewslL s			20	798	u25 1/2	25 3/8	26	+1/2
25 1/2	15 1/2	NiaMP	2.08	11.	7	3258	18 3/4	18 1/2	18 1/2	−1/4
38 1/4	30 3/4	NiaMpf	3.40	9.2		z50	37	37	37	
39 1/2	32	NiaMpf	3.60	9.2		z20	39	39	39	
42 1/2	33 1/2	NiaMpf	3.90	9.5		z200	41	41	41	−3/4
72	55 1/2	NiaMpf	6.10	9.3		z300	65 1/4	65 1/4	65 1/4	
16 3/4	14 1/8	NiagSh	3.21e	20.		173	16 1/8	15 7/8	15 7/8	−1/8
24	12 1/2	Nicolet			12	188	23 7/8	23 1/2	23 1/2	−1/4
32 1/8	22 3/4	NICOR	1.80	5.8	8	331	31 1/4	31	31 1/4	−3/4
31	28	NICO pf	1.90	6.0		4	u31 1/2	30 3/4	31 1/2	+5/8
18 1/8	7 7/8	NoblAf	.12	.8		2217	15 3/8	14 7/8	14 7/8	−1
16 3/4	5 7/8	NordR s			19	1124	u17 7/8	16 1/4	17 1/2	+1

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17 3/4	12	Varo	.40	2.7	29	289	15 1/4	14 3/4	14 7/8	−1/8
19 1/4	12	Veeco	.40	2.3	246	1281	18	17	17 1/4	−3/4
10 1/4	5 3/4	Vendo				63	9 1/4	8 7/8	9	−1/8
14 3/4	12 1/8	VestSe	1.20a	8.4		62	14 1/2	14 1/4	14 1/4	−1/8
15	4 1/2	Vestrn			14	6002	8	6 3/8	7 1/4	+3/4
44 7/8	25 1/4	Viacm s	.28	.6		206	44 5/8	44 1/2	44 1/2	+1/8
66	50	VaEP pf	5	7.7		z10	65	65	65	
101 5/8	81 1/2	VaEP pf	7.72	7.7		z150	100 1/2	100 1/2	100 1/2	−3/8
101 5/8	80	VaE pfJ	7.72	7.7		z270	100 1/2	100 1/2	100 1/2	+7/8
99 1/2	77 1/2	VaEP pf	7.45	7.6		z500	97 1/2	96	97 1/2	+1/2

Continued on Page 41

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

[illegible]

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Weak $ and bonds push market down

IN ONE of quietest sessions so far this year, Wall Street stock prices fell moderately yesterday under pressure from profit takers and a weak bond market, *writes Roderick Oram in New York.*

A further weakening of the dollar and contradictory US and Japanese statements over whether the Group of Five countries was to meet pushed down bond prices by as much as ¾ of a point.

The Dow Jones industrial average closed down 10.13 points at 2,176.74. At its worst, it had been down more than 18 points in early afternoon. Broader market indices followed the trend of the blue chips with the exception of the American Stock Exchange Composite index which lost only 0.08 of a point to close at 316.65.

The Standard & Poor's 500 index fell 1.88 points at 278.16 and the New York Stock Exchange composite index was off 1.10 points at 158.83 with NYSE volume falling sharply to 143.3m shares from 184.1m on Friday. Declining issues outnumbered advancing issues for the first time this month by a margin of two-to-one.

Yesterday and last Friday were the first period so far this year when stock markets have suffered sizeable falls on two consecutive days. The downturn was widely interpreted as an orderly consolidation for the markets rather than the start of a major correction.

Among blue chips, Allied Signal was off $½ to $45½ American Express rose $1 to $68 Eastman Kodak fell $1⅛ to $75⅞, Sears Roebuck added $½ to $46 on news of a higher divided. Procter and Gamble rose $¾ to $86½. IBM fell $2⅛ to $133⅜. McDonald's dropped $1⅛ to $70 and Merck slipped $⅜ to $136¼.

Among companies reporting higher fourth-quarter earnings, GTE fell $⅛ to $62½ despite returning to profit from a $1bn loss after charges a year earlier. Anheuser Busch, the brewer, rose $¾ to $31⅞ and Ryder System, a vehicle leasing group, fell $1⅜ to $37½.

Companies turning in lower profits included Grumman, which gained $1 to $28¼, Southmark which slipped only $¼ to $⅛ despite per share profits falling to 7 cents from 48 cents a year earlier and Eton up $1¾ to $81⅞.

On the takeover front, Diamond Shamrock fell $⅜ to $14½ and was the most active NYSE issue with 2.4m shares traded. Mr T. Boone Pickens, the Texas oil man, dropped his $15 a share bid for the energy group after its board rejected it. Diamond went ahead with plans to buy back 20m of its shares, 18 per cent of the total, at $17 a share.

After the market closed, First Interstate withdrew its bid for Bank America. Before the news, BankAmerica's shares closed unchanged at $13⅞ and First Interstate up $½ to $56.

A. H. Robins fell $1⅝ to $22⅞. One analyst recommended selling the drug company's shares because of doubts whether a takeover offer of undisclosed value from American Home Products would succeed. Robins is operating under Chapter 11 of the bankruptcy code because of large liability claims filed by users of its Dalkon Shield contraceptive device. AHP gave up $1⅜ to $82¼.

The fall in bond prices was relatively modest considering the negative factors pressing on the credit markets. The price of the benchmark 7.50 per cent Treasury 30-year bond fell ¾ of a point to 99[11]/16 in the "when issued" market at which it yielded 7.52 per cent. When the bonds were auctioned last Thursday, the average yield of successful bids was 7.49 per cent. Comparable losses were shown throughout Treasury maturities.

Investors and dealers were particularly concerned yesterday about the further weakening of the dollar. In addition, Mr James Baker, the US Treasury Secretary, said there were no plans for a meeting of industrialised countries to agree on more harmonious economic policies. Earlier, Mr Satoshi Sumita, Governor of the Bank of Japan, said he was convinced that such a meeting would be held soon.

EUROPE

Worries over dollar take centre stage

THE DOLLAR returned to the centre of attention on the European bourses yesterday.

Frankfurt enjoyed spirited local bargain hunting and a firmer D-Mark dollar rate and the Commerzbank index added 15.9 points to 1,739.6.

Domestic demand-related issues saw solid gains as AEG rose DM 9.50 to DM 299.00 and Kaufhof among retailers jumped DM 23 to DM 479.

Engineering stocks firmed despite a hardening of positions in the current contract negotiations with the main metalworkers union. KHD added DM 1.80 to DM 164.30 and Mannesmann gained DM 1 to DM 156. Among car makers, also sensitive to currency fluctuations, BMW scored a gain of DM 9 to DM 508, while Daimler jumped DM 10 to DM 984.

Banks managed good progress with Deutsche Bank DM 5 higher to DM 704 and Commerzbank 3.50 ahead at DM 279.00

The stable dollar depressed the bond market which saw losses of up to 35 basis points at the long end. Trading was quiet. The Bundesbank bought DM 75.8m worth of domestic paper after purchasing DM 63.8m on Friday.

La Redoute, the leading French mail order house, dropped 13 per cent yesterday to FFr 2,950 as speculation over a possible hostile takeover subsided.

The company's management announced it controlled more than 50 per cent of its capital, and considerably more of its votes, since the founding Pollet family controls a large bloc of shares with double voting rights.

Takeover speculation had pushed La Redoute's share price up by 45 per cent since January 1. Nearly 14 per cent of the company's capital changed hands in Friday's bourse session, and 11 per cent the day before.

Amsterdam turned lower after the sharp fall of the dollar against the guilder, prompted by remarks by US Treasury Secretary James Baker that there were no plans for a G5 meeting soon.

The uncertain foreign exchange market inhibited overseas investors. Internationals were actively traded lower.

Paris eased in reaction to the weaker Wall Street showing on Friday and the continued unclear monetary outlook.

Hachette fell FFr 110 to FFr 3,080 on news that Agence Havas will no longer bid for a controlling interest in the TF1 television network because the price set by the Government was too high.

Brussels edged higher with market leader Petrofina adding BFr 60 to BFr 9,350. Gevaert led the chemicals sector with its BFr 30 gain to BFr 6,030.

Stockholm eased in dull trading, with blue chip industrials and forestry stocks leading a decline spurred by rising domestic interest rates. Insurer Skandia was most active, losing SKr 6 to SKr 119 on reports it will buy estate agent Stockholms Badhaus. Trading in Badhaus was suspended at the company's request.

Madrid closed steady in active trade. Utilities advanced slightly, but remained shaky after the suspension of Fecsa on Friday. Chemicals and constructions firmed, while banks weakened.

Milan lost ground in lacklustre trade; insurers, financials and blue chips faring worst.

Oslo slipped back. Elektrisk Bureau maintained progress, however, to add NKr 2.50 to NKr 182.00.

Zurich firmed although trading was cautious amid the dollar's uncertainty and last week's wave of foreign selling.

CANADA

BUSY EARLY trading saw only golds and industrials gain in Toronto as prices eased from last week's record-breaking gains.

Oils weakened, although Husky Oil was unchanged at C$11¼ after reporting a fourth-quarter loss.

Montreal prices eased.

TOKYO

NTT obtains the wrong number

WITH INVESTOR interest focusing on Nippon Telegraph and Telephone, trading volume in Tokyo plunged to its lowest this year, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average gained 129.11 from Saturday to 19,679.32, helped by finanical stocks. Turnover weakened considerably, falling from last Friday's 938m to 357m shares, since November. Advances were ahead of declines by 451 to 338, with 181 issues unchanged.

Many issues were neglected, as securities company branches and dealing sections were preoccupied with a flood of buy orders for NTT shares.

NTT remained unquoted all day in the absence of sell orders, with its bid price soaring steadily from the start of morning trading. The bid price ended at Y1.4m, compared with the publicly offered price of Y1.197m. Buy orders totalled 482,600 shares against sell orders for 37,600.

Brokers said NTT would be quoted today as brokerage houses will step up efforts to arrange contracts in line with the Finance Ministry's wish to see the price set as soon as possible. The NTT listing is the first public offering of shares in the Government's privatisation efforts.

Among other populars, large-capital stocks were pre-eminent in share numbers, but still lacked enthusiasm. Nippon Steel headed the active stock list, with 54.17m shares changing hands, down sharply from the previous week's 200m–400m shares. It finished the day Y5 firmer at Y268.

Sumitomo Metal Industries, second busiest with 15.21m shares, strengthened Y11 to Y190, Kawasaki Steel Y2 to Y226 and Kobe Steel Y5 to Y202.

Financial shares spurted broadly in the afternoon, with Tokio Marine and Fire Insurance gaining Y40 to Y2,090, Sumitomo Bank Y110 to Y3,170 and Sumitomo Trust and Banking Y190 to Y4,300. But transactions in these issues remained dull, with the volume of Tokio Marine and Fire shares traded standing at only 1.30m.

The lacklustre trading prompted speculators to seek Aids-related stocks again for quick profits. Sumitomo Chemical, eighth busiest with 6.42m shares, strengthened Y8 to Y628 and Y22 to Y665 and Y22 to Y665 on investor appraisal of the two groups manufacture of interferon – an agent that is said to be effective in limiting the spread of the Aids virus.

Among other Aids-related issues, Ajinomoto climbed Y90 to Y2,100 and Okamoto Industries Y100 to Y1,250.

Bonds continued surging upwards on active dealer buying, with the yield on the bellwether 5.1 per cent government bond due in June 1996 plunging from last Saturday's 4.785 finish to 4.735 per cent.

The firmness was encouraged by large buying by Nomura Securities. One official at another big brokerage house estimated Nomura's buy orders at over Y1,000bn. Institutional investors stayed on the sidelines due to the uncertain outlook for a meeting of the Group of Five industrial countries' finance ministers and central bank governors. The Bank of Japan is widely expected to cut its discount rate charged on its short-term loans to commercial banks if a date for the monetary meeting is set.

AUSTRALIA

HEAVY BUYING in Sydney media stocks following News Corporation's apparently successful takeover of the Herald and Weekly Times helped take the All Ordinaries index up 15.5 to a record close of 1,554.7.

News Corp led advances, putting on A$1 to A$18.90, HWT added 10 cents to A$15.30, while Queensland Press, its associate, put on 70 cents to A$22.00.

Banks firmed, with ANZ gaining 30 cents to reach a 12-month high of A$5.90. BHP also reached a 12-month high, up 20 cents to A$9.60 amid takeover rumours.

Industrials, golds and blue chips also advanced.

HONG KONG

EXPECTATIONS of a healthy corporate reporting season and a possible cut in corporation tax in the forthcoming budget lifted Hong Kong prices to a fourth consecutive record close, the Hang Seng index jumping 40.10 to 2,713.67.

The index has gained more than 160, or about 6.3 per cent, since February 2.

Turnover rose to a heavy HK$1.76bn from Friday's HK$1.48

Sun Hung Kai jumped by HK$1.10 to HK$21.40 to lead advances, with gains also recorded by Cheung Kong 75 cents up to HK$42, Hutchison Whampoa 75 cents ahead to HK$48.25 and Jardine Matheson 60 cents higher to HK$24.40.

LONDON

Tax hopes add fuel to record run

CONTINUED confidence among UK investors that income tax will be cut on budget day helped the London equity market maintain its record-breaking buoyancy despite less aggressive overseas buying.

But the market closed off its highs as the slugghish start on Wall Street reduced a very optimistic morning start, fuelled in large part by strong gains in financial issues reflecting predicted tax cuts.

The FT-SE 100 index rose 12.3 to another record close of 1,910.7. The FT Ordinary index also scaled a new peak, up 7.7 at ,1516.6.

Gilts started the day brightly but later faded as the pound weakened, with net losses of ¼ of a point or so taking the yield on long-dated bonds close to the 10 per cent level breached only last Thursday.

Chief price changes, Page 41, Details, Page 40; Share information service, Pages 38-39.

SOUTH AFRICA

THE WEAKENED rand against the dollar generally bolstered gold share prices in Johannesburg in otherwise featureless trading.

Among quality gold stocks, Driefontein Consolidated put on 50 cents to R76.50, Kloof added 75 cents to R36.00 while Elandsrand gained R2 to R42.50.

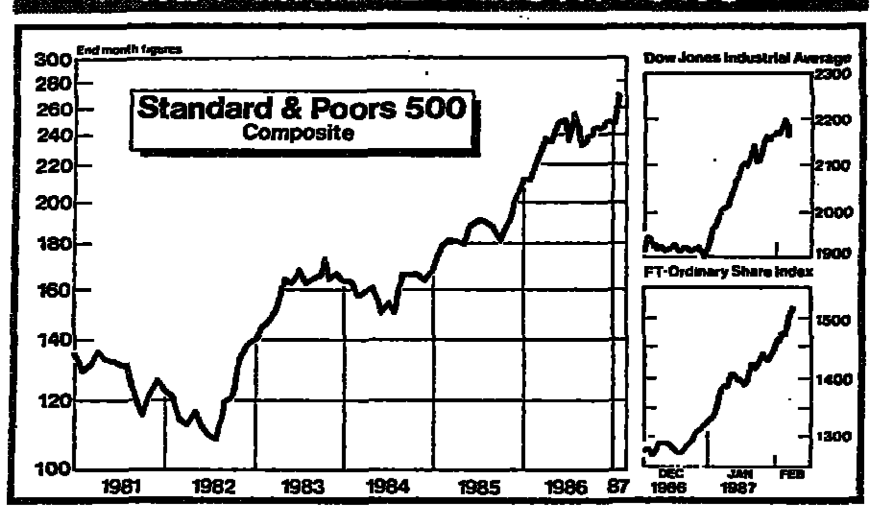
Platinum and mining shares closed narrowly mixed, but industrials strengthened in advance of Pretoria's pre-election mini-budget.

SINGAPORE

LATE BARGAIN hunting for blue-chip shares amid short covering in the afternoon nudged Singapore prices higher, the Straits Times industrial index rising 6.36 to 972.34.

Singapore Airlines rose 10 cents to S$10.00 and Malayan Banking added 15 cents to S$6.65, both 12-month highs. Other blue-chip advances included Rothmans Malaysia, 25 cents to S$6.60, Fraser & Neave 15 cents to S$9.65 and Singapore Press 5 cents to S$7.95.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 9	Previous	Year ago
NEW YORK			
DJ Industrials	2,172.05*	2,201.49	1,613.42
DJ Transport	914.73*	917.39	762.35
DJ Utilities	223.34*	227.49	176.75
S&P Composite	277.76*	281.16	214.56
LONDON			
FT Ord	1,516.6	1,508.9	1,195.3
FT-SE 100	1,910.7	1,898.4	1,445.0
FT-A All-share	947.20	941.18	709.37
FT-A 500	1,047.88	1,043.23	778.89
FT Gold mines	319.2	319.3	328.3
FT-A Long gilt	10.24	9.83	10.64
TOKYO			
Nikkei	19,679.32	19,668.83	13,212.1
Tokyo SE	1,722.99	1,722.19	1,055.50
AUSTRALIA			
All Ord.	1,554.7	1,539.2	1,069.4
Metals & Mins.	769.6	766.6	524.0
AUSTRIA			
Credit Aktien	202.50	203.0	239.19
BELGIUM			
Belgian SE	4,018.11	4,007.23	3,027.54
CANADA			
Toronto			
Metals & Minls	2,349.1	2,377.8	2,228.0
Composite	3,511.9	3,515.2	2,798.8
Montreal			
Portfolio	1,783.16	1,793.9	1,136.95
DENMARK			
SE	n/a	215.03	227.81
FRANCE			
CAC Gen	418.20	418.4	284.9
Ind. Tendance	106.10	106.3	67.15
WEST GERMANY			
FAZ-Aktien	581.61	576.19	671.29
Commerzbank	1,755.50	1,733.3	2,031.1
HONG KONG			
Hang Seng	2,713.67	2,673.57	1,734.04
ITALY			
Banca Comm.	695.83	703.11	499.76
NETHERLANDS			
ANP-CBS Gen	262.00	262.5	255.1
ANP-CBS Ind	246.90	247.8	246.9
NORWAY			
Oslo SE	n/a	375.09	378.86
SINGAPORE			
Straits Times	972.34	965.98	611.33
SOUTH AFRICA			
JSE Golds	—	2,000.9	1,215.6
JSE Industrials	—	1,524.00	1,086.5
SPAIN			
Madrid SE	241.20	241.20	110.06
SWEDEN			
J & P	2,254.52	2,263.68	1,840.60
SWITZERLAND			
Swiss Bank Ind	576.70	574.4	584.1
WORLD	Feb 4	Previous	Year ago
MS Capital Int'l	399.6	401.6	263.7

COMMODITIES

(London)	Feb 9	Prev
Silver (spot fixing)	366.70	368.35p
Copper (cash)	£891.50	£885.55
Coffee (March)	£1,527.50	£1,582.00
Oil (Brent Blend)	$17.85	$18.05

GOLD (per ounce)

	Feb 9	Prev
London	$406.00	$403.25
Zürich	$405.65	$402.40
Paris (fixing)	$408.12	$405.58
Luxembourg	$403.20	$403.50
New York (April)	$406.50 *	$407.4

CURRENCIES

(London)	US DOLLAR Feb 9	US DOLLAR Previous	STERLING Feb 9	STERLING Previous
$	—	—	1.5190	1.5065
DM	1.8170	1.8560	2.76	2.80
Yen	152.45	154.40	231.5	233
FFr	6.0525	6.18	9.1925	9.3225
SFr	1.5320	1.5650	2.3275	2.36
Guilder	2.0490	2.0920	3.1125	3.155
Lira	1,293	1,318	1,964	1,988
BFr	37.75	38.40	57.35	57.95
C$	1.3360	1.3340	2.0255	2.0150

INTEREST RATES

	Feb 9	Prev
Euro-currencies (3-month offered rate)		
£	11	10⅞
SFr	3[11]/16	3½
DM	4⅛	4
FFr	8[11]/16	8[9]/16
FT London Interbank fixing (offered rate)		
3-month US$	6[5]/16	6¼
6-month US$	6[5]/16	6¼
US Fed Funds	6¼*	6[3]/16
US 3-month CDs	5.90*	6.175
US 3-month T-bills	5.715*	5.82

US BONDS

Treasury

		February 9* Price	February 9* Yield	Prev Price	Prev Yield
6⅜	1989	99[14]/32	6.43	99[19]/32	6.345
7⅛	1993	99[21]/32	7.06	99[31]/32	7.002
7⅜	1996	100[4]/32	7.22	100[10]/32	7.202
7¼	2016	99[22]/32	7.51	100[6]/32	7.476

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Feb 9 Day's change	Yield	Day's change
1–30	161.86	−0.37	7.01	+0.06
1–10	153.74	−0.20	6.74	+0.06
1– 3	143.35	−0.06	6.45	+0.06
3– 5	156.60	−0.25	6.80	+0.07
15–30	190.83	−0.95	7.89	+0.06

Source: Merrill Lynch

Corporate	February 9* Price	February 9* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92.44	6.40	92.416	6.40
SCBT South Central				
10⅞ Jan 1993	105.875	9.58	105.875	9.581
Phibro-Sal				
8 April 1996	99.75	8.04	100.25	7.958
TRW				
8⅜ March 1996	104.00	8.11	104.50	8.039
Arco				
9⅞ March 2016	112.25	8.71	113.375	8.613
General Motors				
8⅛ April 2016	94.125	8.68	94.375	8.655
Citicorp				
9⅜ March 2016	103.00	9.08	104.15	8.97

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
March	99–22	100–09	99–16	100–17
US Treasury Bills (IMM)				
$1m points of 100%				
March	94.32	94.38	94.29	94.40
Certificates of Deposit (IMM)				
$1m points of 100%				
March	n/a	n/a	n/a	94.07
LONDON				
Three-month Eurodollar				
$1m points of 100%				
March	93.59	93.69	93.58	93.65
20-year Notional Gilt				
£50,000 32nds of 100%				
March	116–07	117–01	116–05	116–16

* Latest available figures